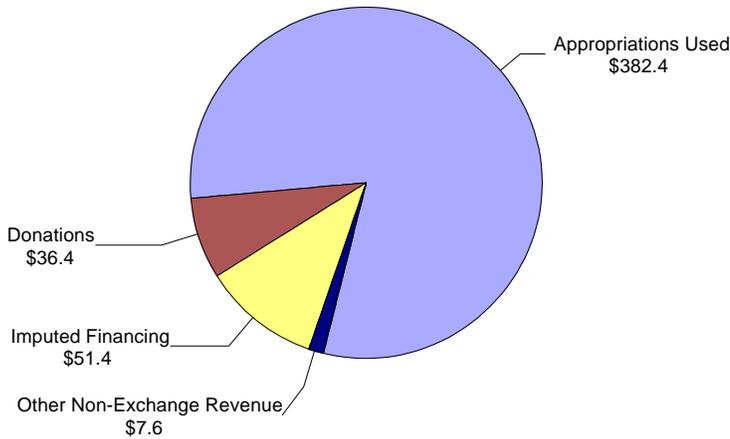


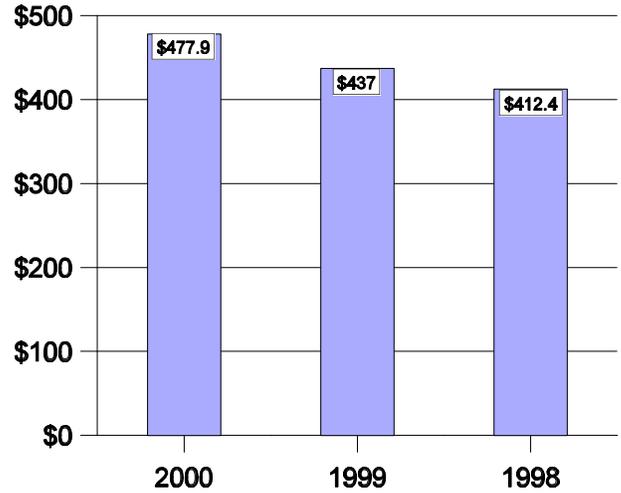
The Library of Congress Financial Highlights - Fiscal Year 2000

Sources of Financing, Fiscal Year 2000

\$477.9 million

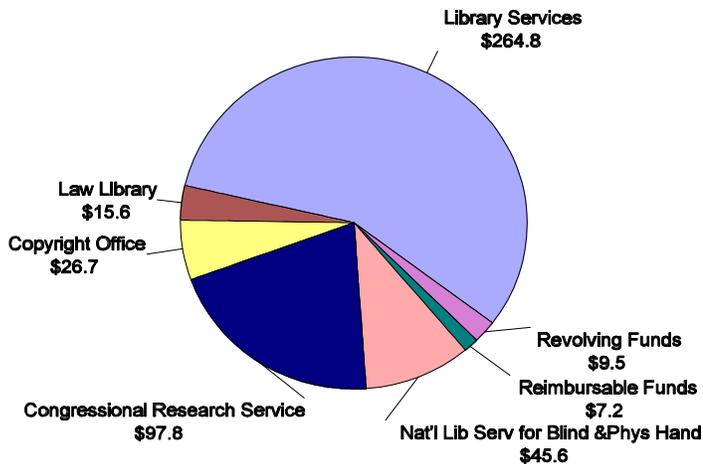


Sources of Financing Totals

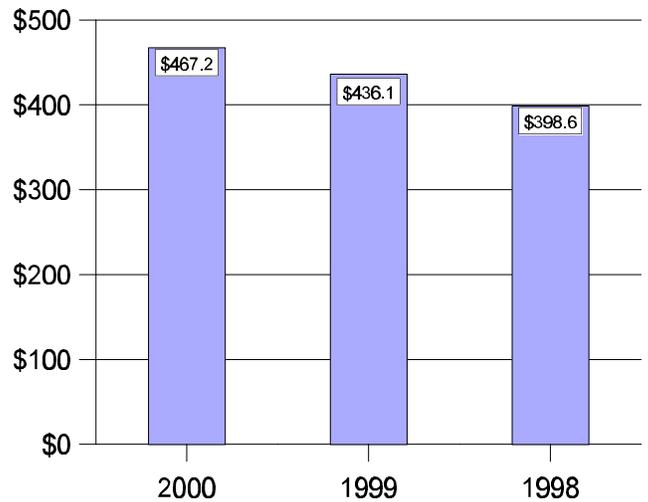


Net Costs, Fiscal Year 2000

\$467.2 million



Net Costs Totals





THE LIBRARIAN OF CONGRESS

The President of the Senate
The Speaker of the House of Representatives

SIRS:

It is my pleasure to submit to you the Library's fiscal year 2000 financial statements and accompanying opinion of the independent auditors, Clifton Gunderson L.L.C.

On April 24, 2000, the Library was 200 years old. With a theme of "Libraries, Creativity, Liberty," the Library's Bicentennial provided a unique opportunity to feature its collections, its role in American life, and the importance of libraries in a democratic society as providers of free and open access to knowledge and information.

The Library's Bicentennial gift to the nation was an on-line library of more than five million historically significant digital items that are now available free of charge on the Internet to people wherever they live. More than 120 million Americans, as well as an estimated 300 million people worldwide, now have personal Internet access. The new digital communications era offers this unique institution extraordinary opportunities to achieve new levels of service to the Congress for its legislative work and to citizens' search for information and learning in every congressional district.

For the fifth consecutive year, the independent auditors have issued an unqualified "clean" opinion on the Library's Consolidated Financial Statements. The net cost of the Library's seven major programs totals \$467.2 million. The net cost includes \$51.4 million in costs incurred by four other agencies (i.e., Architect of the Capitol, Government Printing Office, Office of Personnel Management and the Department of the Treasury) in support of the Library's programs. The net cost also includes \$89.1 million in earned revenue from copyright registration fees, cataloging distribution sales, and other fee-based and reimbursable programs.

The Library continues to improve its financial and management systems while placing great emphasis on ensuring the security of our staff and collections. The implementation of the Library of Congress Integrated Library System is making possible further improvements in the control of our nearly 121 million items. For the first time, the Library is tracking incoming books at the item level, which improves our control over the collections. We recognize that we need to improve further our computer and collections controls as documented in the accountability reports. We are executing corrective measures as part of our strategic planning process.

I am proud of the Library's stewardship of its financial affairs, and I commend the enclosed report to your attention.

Sincerely,

A handwritten signature in black ink, appearing to read "James H. Billington".

James H. Billington
The Librarian of Congress

THE LIBRARY OF CONGRESS

FINANCIAL STATEMENTS FOR FISCAL YEAR 2000

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THE LIBRARY OF CONGRESS
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**THE LIBRARY OF CONGRESS
CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2000**

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The Management's Discussion and Analysis (MDA) is designed to provide a high level overview of the Library: who we are, what we do, and how we accomplished our mission during fiscal year 2000.

**THE LIBRARY OF CONGRESS AND
ITS MISSION**

The Library of Congress, an agency in the legislative branch of the government, is the world's largest and most comprehensive library, maintaining a collection of nearly 121 million items -- many of them unique and irreplaceable -- in more than 450 languages. It directly serves not only the Congress, but the entire nation with the most important commodity of our time: **information**.

The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

STRATEGIC PLAN AND PRIORITIES

The Library's challenge, under its 1997-2004 strategic plan, is to sustain past gains while becoming a more efficient and effective operation. The Library has a proven record of making knowledge and information accessible to users everywhere -- evidenced by the exponential rate of growth in the Library's Internet transactions and the wide public acclaim of its web site.

The Library's vision for the 21st century is to "lead the nation in ensuring access to knowledge and information and in promoting its creative use for the Congress and

its constituents." The strategic plan maps the changes that will ensure that the Library -- the research and information arm of the national legislature and the world's foremost storehouse of knowledge -- continues its worthy tradition of collecting, preserving, sharing, and fostering creativity and learning in support of the Congress, the public and the democratic ideal. Open access is the basic principle of our public library system and is more important than ever in helping prevent a division between information "haves" and "have-nots" in the electronic age. The Congress, through its library, is ensuring that the tools of learning -- and of learning about America -- will be universally accessible in the new millennium.

The Library's strategic plan priorities are:

1. to make knowledge and creativity available to the United States Congress;
2. to acquire, organize, preserve, secure, and sustain for the present and future of the Congress and the nation a comprehensive record of American history and creativity and a universal collection of human knowledge;
3. to make its collections maximally accessible to the Congress, the U. S. Government, and the public; and
4. to add interpretive and educational value to the basic resources of the Library.

At the start of the new millennium and the Library's third century, the Library is accelerating the registration of digital copyright claims and acquiring, preserving, and ensuring rights-protected access to "born digital" works that are playing an increasingly important role in the intellectual, commercial, and creative life of the United States. Given the immeasurable size and growing elusiveness of the digital universe, as well as

the short life span of much of its content, it is clear that the Library faces a substantial challenge in both (1) defining the scope of its collecting responsibilities in this new world and (2) developing a whole new range of partnerships and cooperative relationships that will be required to continue fulfilling our vital historic mission. The Library's digital strategy will focus first on formulating an implementable national strategy for the life cycle management of digital materials as part of the national collection.

BRIEF HISTORY

The Library of Congress is a living monument to the remarkable wisdom of the Founding Fathers who saw access to an ever-expanding body of knowledge as essential to a dynamic democracy. The Library's three buildings are named for Thomas Jefferson, John Adams, and James Madison. With the support of these Presidents, the Congress established the Library in 1800, as soon as it moved to the new capital city of Washington, and established the Joint Committee on the Library as the first Joint Committee of the Congress in 1802.

Jefferson, in particular, took a keen interest in the new institution. After the British burned the Capitol and the Library during the War of 1812, Congress accepted Jefferson's offer to "recommence" the Library and purchase his multi-lingual 6,487-volume collection (then the finest in America) at a price of \$23,950. It contained volumes in many languages on everything from architecture to geography and the sciences. Anticipating the argument that his collection might seem too wide-ranging for Congress, Jefferson said that there was "no subject to which a Member of Congress might not have occasion to refer."

Jefferson's ideals of a "universal" collection and of sharing knowledge as widely as possible still guide the Library. With Congressional blessing and support, the Library has grown to serve the Congress and the nation more broadly in ways that no other library has ever done, largely as a result of four milestone laws: (1) the copyright law of 1870, which stipulated that two copies of every book, pamphlet, map, print, photograph, and piece of music registered for copyright in the United States be deposited in the Library; (2) the 1886 authorization of the first separate Library of Congress building that contained openly accessible reading rooms

and exhibition space for the general public; (3) the 1902 law that authorized the Library to sell its cataloging records inexpensively to the nation's libraries and thus massively help to subsidize the entire American library system; and (4) the law in 1931 that established the program in the Library to create and supply free library materials to blind and physically handicapped readers throughout the country. Congress thus established the basis both for the continued growth of the collections and for the extension of the Library's services to citizens everywhere.

In 1914, Congress created the Legislative Reference Service (LRS) as a separate entity within the Library to provide specialized services to "Congress and committees and Members thereof." In 1946, the Congress granted LRS further statutory status within the Library and directed it to employ specialists to cover broad subject areas. Congress renamed LRS as the Congressional Research Service (CRS) in 1970 and enhanced its analytical capabilities by defining its policy role for the Congress and emphasizing research support to the committees of Congress.

More recently, a series of Congressional statutes have created within the Library of Congress the American Folklife Center (1976), the American Television and Radio Archives (1976), the National Center for the Book (1977), the National Film Preservation Board (1988), the National Film Preservation Foundation (1996), the Cooperative Acquisitions Program Revolving Fund (1997), the Sound Recording Preservation Board and Foundation (2000) and the authorization of three revolving funds for fee services (2000) -- further extending the Library of Congress' national role.

THE LIBRARY OF CONGRESS TODAY

The core of the Library is its incomparable collections and the specialists who interpret and share them. The Library's nearly 121 million items include almost all languages and media through which knowledge and creativity are preserved and communicated.

The Library has more than 27 million items in its print collections, including 5,702 volumes printed before the year 1500; 12 million photographs; 4 million maps, 2 million audio recordings; 800,000 motion pictures,

including the earliest movies ever made; 4 million pieces of music; 54 million pages of personal papers and manuscripts, including those of 23 Presidents of the United States as well as hundreds of thousands of scientific and government documents.

New treasures are added each year. Notable acquisitions during fiscal year 2000 include: nearly 100 additional volumes that match Thomas Jefferson's original collection, a complete and perfect map describing the whole world (Venice, circa 1559) and the maps drawn by Lafayette's cartographer, the papers of both Philip Roth and Lucas Foss, the Kenneth Walker Architectural drawings, the letters of Edna St. Vincent Millay, the first known map of Kentucky, the Coville Photography collection, a unique collection of Russian sheet music covers and the film collection of Baron Walter de Mohrenschildt. During fiscal year 2000, the Library also reached agreement on the regular, on-going deposit of the archives of electronic journals published by the American Physical Society; continued its relationship with Bell & Howell on cost-effective access to its digital archive of U.S. doctoral dissertations; and built on the existing gift agreement with the Internet Archive to select and acquire open-access Web resources of special interest to the Library, such as the web sites of all U. S. presidential candidates.

Every workday, the Library's staff adds more than 10,000 new items to the collections after organizing and cataloging them and finds ways to share them with the Congress and the nation -- by providing on-line access across the nation, by assisting users in the Library's reading rooms, and by featuring the Library's collections in cultural programs.

Major annual services include delivering **more than 580,000** congressional research responses and services, processing **more than 580,000** copyright claims, and circulating **more than 22 million** audio and braille books and magazines free to blind and physically handicapped individuals all across America. The Library annually catalogs **more than 250,000** books and serials and provides the bibliographic record inexpensively to the Nation's libraries, saving them an estimated \$268 million annually.

The Library also provides free on-line access, via the Internet, to its automated information files, which contain **more than 75 million** records -- to Congressional offices, Federal agencies, libraries, and

the public. Internet-based systems include major World Wide Web (www) services (e.g., THOMAS, www.loc.gov, www.AmericasLibrary.gov , Global Legal Information Network), the Library of Congress On-line Public Access Catalog (catalog.loc.gov), and various file transfer options.

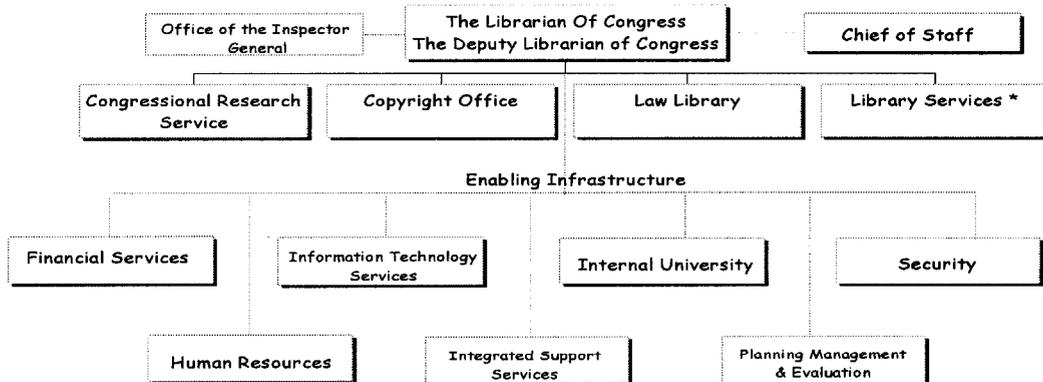
The Librarian of Congress, appointed by the President with the advice and consent of the Senate, directs the Library. The Deputy Librarian of Congress is the Chief Operating Officer who manages the day-to-day operations through four service units and an enabling infrastructure (see organizational chart).

The Library has seven programs:

- Library Services
- Law Library
- Copyright Office
- Congressional Research Service
- National Library Service for the Blind and Physically Handicapped
- Reimbursable Funds
- Revolving Funds

The Library of Congress programs and activities are funded by four salaries and expenses (S&E) appropriations which support congressional services, national library and law library services, copyright administration, library services to blind and physically handicapped people, and management support. A separate appropriation funds furniture and furnishings.

Library of Congress



* Includes National Library Service for the Blind and Physically Handicapped

OVERVIEW OF FINANCIAL STATEMENTS

For fiscal years 2000 and 1999, the Library has prepared a Consolidated Balance Sheet, Consolidated Statement of Net Costs, Consolidated Statement of

Changes in Net Position, and a Combined Statement of Budgetary Resources (see Section 2).

Consolidated Balance Sheet

The purpose of the consolidated balance sheet is to provide financial statement users with information about

the Library's assets, liabilities, and net position as of September 30, 2000 and 1999. In accordance with governmental accounting standards, the value of the Library's collections (our largest asset) is not calculated and reported as a monetary asset. Instead, the Library prepares a Stewardship report (see Section 3), which describes the collections and provides relevant

information about their use, preservation, security, etc. The Library's Net Position consists of: (1) the portion of the Library's appropriations that are unexpended; (2) the cumulative balances of gift, trust, reimbursable and revolving funds; and (3) the cumulative amount of prior period adjustments.

Assets (in millions)			Liabilities and Net Position (in millions)		
	2000	1999		2000	1999
Entity Assets	\$ 385.9	\$ 304.1	Liabilities Covered by Budgetary Resources	\$ 693.9	\$ 847.1
Non-Entity Assets	612.4	774.9	Liabilities Not Covered by Budgetary Resources	92.9	39.0
			Net Position	211.5	192.9
Total Assets	\$ 998.3	\$ 1079.0	Total Liabilities and Net Position	\$ 998.3	\$ 1079.0

The Library's assets total just under one billion dollars in fiscal year 2000 and more than one billion dollars for fiscal year 1999. Entity assets increased by \$81.8 million during fiscal year 2000 primarily as a result of a donation of \$60 million by John Kluge and other donations to the Library's gift and trust funds. Non-entity assets (i.e., funds held and invested for future distribution to copyright owners) comprise 61 percent and 71 percent of all assets and total \$612 and \$775 million for fiscal years 2000 and 1999, respectively. Non-entity (custodial) assets decreased by \$163 million during fiscal year 2000 because current year royalty receipts were less than multiple, prior-year royalty distributions to Copyright owners. The Copyright Office made five distributions of royalty fees, totaling \$367.8 million, during fiscal year 2000 - an increase of \$195.6 million from fiscal year 1999. The Library is authorized to invest the royalty funds in U.S. Treasury securities until the funds are distributed.

The Library's liabilities total \$786.8 and \$886.1 million for fiscal years 2000 and 1999, respectively, with custodial and deposit account activities (i. e., funds held for future distribution to copyright owners) as the major item. The custodial liability decreased following the large royalty distribution made during fiscal year 2000. The decrease in overall liabilities was offset partially by the increase in deferred credits (pledges) due to the Kluge pledge that was accepted by the Trust Fund Board in fiscal year 2001. Other large liabilities include funds advanced from other governmental agencies for the FEDLINK program and accounts payable for various operating expenses.

The accompanying Balance Sheet does not include the acquisition and improvement costs of the Library's buildings and grounds. By law, these buildings and grounds are under the structural and mechanical care of the Architect of the Capitol.

Consolidated Statement of Net Costs

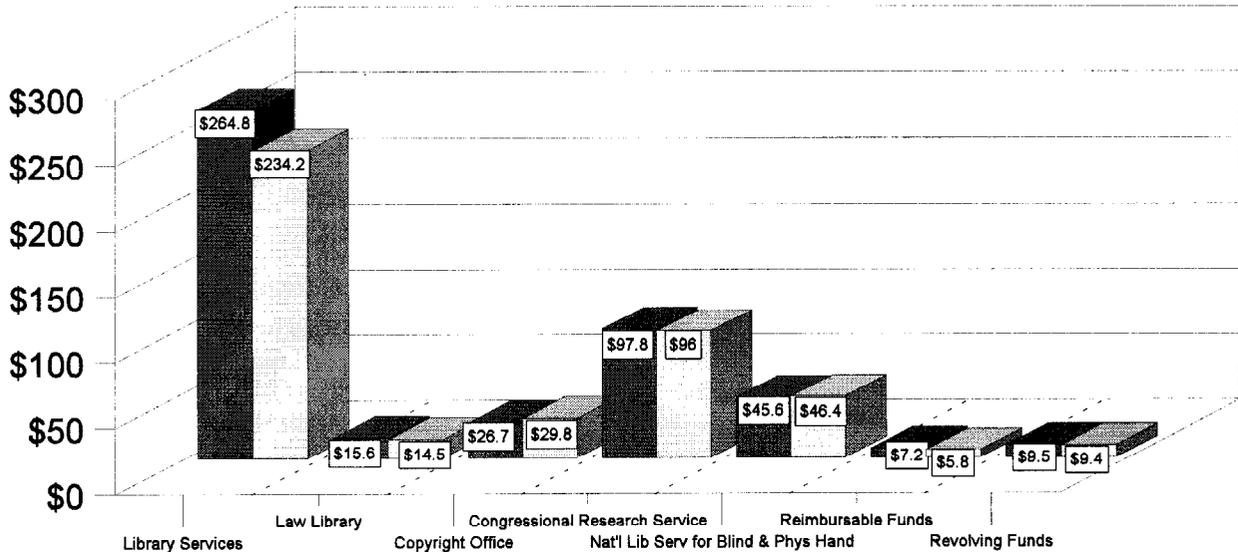
The purpose of the Consolidated Statement of Net Costs is to provide financial statement users with information about the costs and earned revenues for the Library's seven programs for the fiscal year ended September 30, 2000 and 1999. In other words, the statement presents

the net costs of our programs -- \$467.2 and \$436.1 million for the fiscal years 2000 and 1999, respectively. Net costs include allocated management support costs (e.g., human resources, financial services, facility services). The net costs for each of the Library's seven programs are:

The Library of Congress

Consolidated Statement of Net Costs

■ Fiscal Year 2000 - \$467.2M ▨ Fiscal Year 1999 - \$436.1M



Library Services - With net program costs of \$264.8 and \$234.2 million for fiscal years 2000 and 1999, respectively, Library Services is the Library's largest program and is responsible for traditional library activities of acquisitions, cataloging, research and reference, and preservation. The significant increase in net program costs is due, along with normal increases in operating activities, to the inclusion of \$17.1 million of cost incurred on behalf of the Library by the Ad Council. As the advertising services are being donated to the Library by the Ad Council, the offsetting \$17.1 million of donated revenue is reflected in the Consolidated Statement of Changes in Net Position. In addition, the Congress approved a new grant program in fiscal year 2000 to the Education and Research

Consortium (ERC) of Western North Carolina, which expended \$1.9 million to implement a new college course and other pilot initiatives to improve the use of Library of Congress on-line resources (primary source content) by in-service and pre-service teachers.

Library Services provides the following major services:

- ▶ **Acquisitions** -- Each year the Library acquires more than two million new items in all formats for addition to its priceless collections. The collections, and the information they contain, are the foundation for the many services the Library provides to the Congress and the nation.

- ▶ **Cataloging** -- The Library produces bibliographic records and related products for libraries and bibliographic utilities in all 50 states and territories -- cataloging that saves America's libraries in excess of \$268 million annually (the money it would cost them if they had to catalog the books and other materials themselves).
 - ▶ **Research and Reference** -- The Library makes available to scholars and other researchers vast information resources, many of which are unique, covering almost all formats, subjects, and languages. The Library responds to nearly one million information requests a year from all over the nation, including more than 500,000 in person in the 20 reading rooms open to the public in Washington. In addition, the Library responds to some 50,000 free interlibrary loan requests from across the nation and to nearly 30,000 requests for book loans from the Congress each year.
 - ▶ **On-line Access Services** -- The Library provides free on-line access via the Internet to its automated information files, which contain more than 75 million records -- to Congressional offices, Federal agencies, libraries, schools, and the public. Internet-based systems include three World Wide Web (www) services (e.g., THOMAS, www.loc.gov), the Library of Congress On-line Public Access Catalog (catalog.loc.gov), and various file transfer options. These Internet-based systems now record more than 90 million transactions a month.
 - ▶ **American Creativity** -- The Library manages the largest, most varied, and most important archival collection of American creativity -- including motion pictures, sound recordings, maps, prints, photographs, manuscripts, music, and folklore covering a wide range of ethnic and geographic communities. The Library provides reference assistance to researchers and the general public; conducts field research; and promotes the preservation of American culture throughout the United States.
 - ▶ **Preservation** -- The Library develops and manages a program to preserve the diverse materials and formats in the Library's collections. The program provides a full range of prospective and retrospective preservation treatment for approximately 500,000 items a year; conducts research into new technologies; emphasizes prevention techniques, including proper environmental storage and training for emergency situations; conserves and preserves materials; and reformats materials to more stable media. The Library plays a key role in developing national and international standards that support the work of federal, state, and local agencies in preserving the nation's cultural heritage.
 - ▶ **Reading Promotion and Outreach** -- The Library promotes books, reading, and literacy through the Library's Center for the Book, its affiliated centers in 41 states and the District of Columbia, and more than 90 national organizational partners. The Library encourages knowledge and use of its collections through other outreach programs (cable TV, lectures, publications, conferences and symposia, exhibitions, poetry readings -- all primarily supported by private funding) and through use of the Library's home page on the World Wide Web. The Library also gives some 71,000 surplus books annually to qualified libraries and nonprofit educational institutions through its nationwide donation program.
- Law Library** - The Law Library of Congress, with net program costs of \$15.6 and \$14.5 million for fiscal years 2000 and 1999, respectively, provides direct research service to the Congress in foreign, international, and comparative law. In addition to Members, committees of the Congress and the Congressional Research Service, the Law Library provides officers of the legislative branch, Justices of the Supreme Court and other judges, members of the Departments of State and Justice, and other federal agencies with bibliographic and informational services, background papers, comparative legal studies, legal interpretations, and translations. As its congressional priorities permit, the Law Library makes its collections and services available to a diverse community of users -- the foreign diplomatic corps, international organizations,

members of the bench and bar, educational institutions, nongovernmental libraries, legal service organizations, and the general public -- serving more than 100,000 users annually.

Copyright Office - The Copyright Office (CO), with net program costs of \$26.7 and \$29.8 million for fiscal years 2000 and 1999, respectively, administers the U.S. copyright laws, provides copyright expertise to the Congress and executive branch agencies, and actively promotes international protection for intellectual property created by U.S. citizens. The decrease in net program costs is a result of an increase in the statutory fees for registrations and recordation services on July 1, 1999 (which increased earned revenues in fiscal year 2000). In fiscal year 2000, the CO processed more than 588,000 claims, of which more than 515,000 were registered for copyright. More than 752,000 works were transferred to the Library. The CO also recorded, during fiscal year 2000, more than 18,800 documents with nearly 400,000 titles and responded to more than 385,000 requests for information. The CO convenes and supports Copyright Arbitration Royalty Panels (CARPs) for the purpose of (a) equitably distributing the hundreds of millions of dollars in royalties collected under compulsory license provisions of the copyright law and (b) adjusting the royalty rates of the license provisions. Registration fees and authorized deductions from royalty receipts fund a significant portion of the CO. Copies of works received through the copyright system form the core of the Library's immense Americana collections, which provide the mint record of American creativity.

Congressional Research Service - The Congressional Research Service (CRS), with net program costs of \$97.8 and \$96 million for fiscal years 2000 and 1999, respectively, provides non-partisan analytical research and information services to all Members and committees of the Congress. CRS works directly and exclusively for the Congress in support of its legislative functions. By maintaining a cost-effective, shared pool of expertise, CRS provides timely and balanced analyses of legislative proposals and public policy issues through provision of reports, tailored confidential memoranda, individual consultations and briefings -- a comprehensive source of information and analysis on almost any legislatively relevant subject. CRS delivers more than 584,000 research responses and services annually; of these, approximately 94,000 are responses to requests for tailored analysis, information, and research.

National Library Service for the Blind and Physically Handicapped (NLS/BPH) - The NLS/BPH, which is part of Library Services, manages a free national reading program for blind and physically handicapped people, circulating at no cost to users approximately 22.8 million items a year. This program consists of three segments:

1. The Library of Congress selects and produces full-length books and magazines in braille and on recorded disc and cassette and contracts for the production of talking book machines. The NLS/BPH's fiscal years 2000 and 1999 net program costs for this segment were \$45.6 and \$46.4 million, respectively.
2. A cooperating network of 138 regional and subregional (local) libraries distribute the machines and library materials provided by the Library of Congress.
3. The U.S. Postal Service receives an appropriation to support postage-free mail for magazines, books, and machines which are sent directly to readers. Reading materials (books and magazines) and playback machines are sent to a total estimated readership of 759,000 comprised of more than 500,000 audio and braille readers registered individually, in addition to an estimated 200,000 eligible individuals located in 36,000 institutions.

Reimbursable Funds - The net program costs for the Library's Reimbursable Funds are nearly zero (when intra-Library net revenues of \$5.4 million are included and imputed costs of \$1.0 million and allocated administrative overhead of \$.3 million are excluded) because of the Library's goal of full cost recovery. Two major reimbursable programs make up the major portion of the reimbursable revenues: the Federal Library and Information Network (FEDLINK) and the Federal Research Division (FRD). The Library also provides accounting services for three Legislative agencies under cross-servicing agreements (i.e., the Congressional Budget Office, the Office of Compliance and the Capitol Preservation Commission).

- ▶ **Federal Library Services** - The Library coordinates services and programs on behalf of all Federal libraries and information centers, providing education and training programs and

administering a cost-effective book, serial, and technical processing and database procurement program for approximately 1,300 Federal offices. This procurement program saves Federal agencies an estimated \$6.3 million annually in contract cost avoidance benefits and \$12 million more in products and services discounts. In fiscal years 2000 and 1999, FEDLINK earned revenues of \$50.0 and \$46.4 million, respectively, consisting of \$46.1 and \$42.1 million for payment of member services and \$3.9 and \$4.3 million for administrative costs.

- ▶ **Federal Research Division (FRD)** - The Federal Research Division provides customized research services that the Library is uniquely able to perform as a result of its collections and subject and language expertise of its staff. A popular FRD product, available on-line via the Library's homepage, is the country study series of books.

Revolving Funds - Under the authority of 2 U.S.C. 160, the Library of Congress operates ten gift revolving fund activities to provide, in various formats, duplication and preservation services, exhibits and other special programs, and retail marketing, to other Government agencies, libraries, other institutions, and the general public. Under the authority of 2 U.S.C. 182, the Library operates a Cooperative Acquisitions Program revolving fund under which the Library acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. Through these activities, the Library is able to further its programs dealing with the acquisition of library materials, reader and reference services, and support for public programs.

After reflecting earned revenues of \$6.6 and \$6.3 million in fiscal years 2000 and 1999, respectively, revolving fund net program costs totaled \$9.5 and \$9.4 million, respectively. The net program costs were primarily the result of the elimination of \$2.0 and \$1.9 million of intra-Library net revenues, \$3.7 and \$3.9 million in administrative overhead, and \$2.0 and \$1.8 million in imputed inter-governmental costs (e.g., employee benefits) not recovered by fees charged by the revolving funds for fiscal years 2000 and 1999, respectively. The other \$2.0 and \$1.8 million of net

program costs were predominately the result of the declining operations of the Photoduplication Service, which had losses of \$1.1 and \$.8 million for fiscal years 2000 and 1999, respectively. The major funds are: Photoduplication Service, Cooperative Acquisitions, Recording Laboratory, and the Constance Green Fund.

- ▶ **Photoduplication Service** - The Photoduplication Service provides preservation microfilming services for the Library's collections and reprographic services to other libraries, research institutions, government agencies, and individuals in the United States and abroad. Earned revenues were \$4.5 and \$4.7 million in fiscal years 2000 and 1999, respectively, and intra-Library transactions of \$2.2 and \$2.1 million were eliminated during consolidation.
- ▶ **Cooperative Acquisitions Program** - The Cooperative Acquisitions Program, which is operated by the Library's six overseas field offices, acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. Earned revenues were \$1.8 million for fiscal years 2000 and 1999.
- ▶ **Recording Laboratory** - The Recording Laboratory provides preservation services for the Library's collections and audio and video duplication services for the general public. Audio and video products are also produced for sale to the general public. Earned revenues for fiscal years 2000 and 1999 were \$.7 and \$.5 million, respectively, of which \$.3 million each year was for intra-Library transactions which were eliminated in the consolidated statements.
- ▶ **Constance Green Fund** - The Constance Green Fund supports the Library's retail marketing sales shop activities. Earned revenues for fiscal years 2000 and 1999 were \$1.9 and \$1.6 million, respectively.

Consolidated Statement of Changes in Net Position

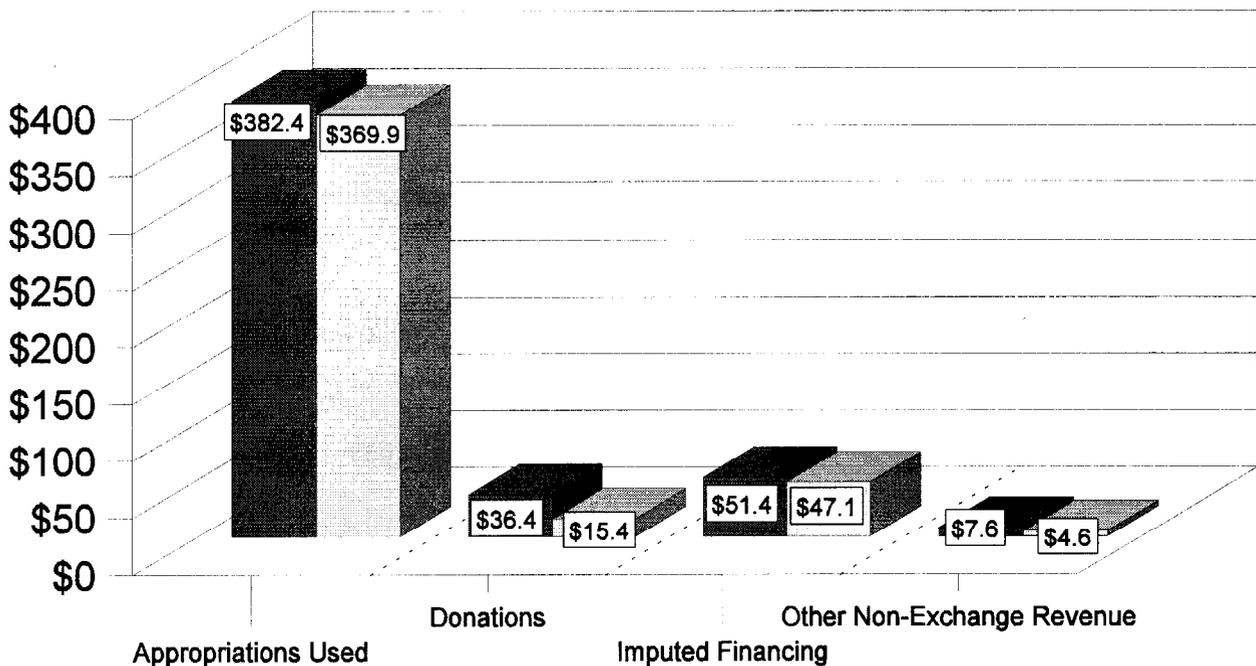
The purpose of the Consolidated Statement of Changes in Net Position is to provide financial statement users

with information about the Library's financing sources and the components of the changes in net position. The Library's financing sources totaled \$477.9 and \$437.0 million for the fiscal years ended September 30, 2000 and 1999, respectively.

The Library of Congress

Consolidated Statement of Changes in Net Position

■ Fiscal Year 2000 - \$477.9M □ Fiscal Year 1999 - \$437.0M



The major source of the Library's funding is from Congressional appropriations for five programs: Library Services, Law Library, Copyright Office, Congressional Research Service, and National Library Service for the Blind and Physically Handicapped. Appropriations used during the fiscal years ended September 30, 2000 and 1999, totaled \$382.4 and \$369.9 million or 80.0 and 84.6 percent, respectively, of all financing. Along with appropriations made directly to the Library, other government agencies (i.e., the Architect of the Capitol,

the Office of Personnel Management, Government Printing Office) used Congressional appropriations and other financing sources to provide support for the Library's programs totaling an estimated \$51.4 and \$47.1 million (imputed financing) for fiscal years 2000 and 1999, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$30.1 and \$25.6 million), employee benefits (\$20.4 and \$20.9 million), and acquisitions exchange services (\$.7 and \$.6 million).

In addition, the Library's donations increased by \$21 million during fiscal year 2000 as a result of the aforementioned Ad Council donation and other donations related to the Library's Bicentennial celebration.

The Library's net position increased by \$19 and \$3 million during fiscal years 2000 and 1999, respectively, primarily because of an increase in the amount of gift and trust funds and the amount of unexpended appropriations.

Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available, as well as their status at the end of the period. The Budgetary Resources section of the statement presents the total budgetary resources available to the Library. The Status of Budgetary Resources section of the statement presents information about the status of budgetary resources at the end of the period. Finally, the Outlays section presents the total outlays of the Library and reconciles obligations incurred to total outlays.

The Library's budgetary resources were \$1.6 and \$1.5 billion for fiscal years 2000 and 1999, respectively, of which \$411.7 and \$390.9 million were appropriated funds and \$1,173.1 and \$1,120.4 million were non-appropriated funds. Total outlays of \$539.8 and \$290.2 million were incurred with the outlays of appropriated funds (\$380.1 and \$367.4 million) combined with outlays of the non-appropriated funds (\$159.7) in fiscal year 2000 and being offset with the negative outlays of non-appropriated funds (-\$77.2 million) in fiscal year 1999. The increase in outlays is a direct result of the aforementioned increase of distributions of royalty fees during fiscal year 2000.

KEY PERFORMANCE MEASURES

Since 1996, the Library's collections have increased from 111 million to nearly 121 million items -- an increase of 9.9 million or 8.9 percent. Over the same five-year period, the full-time equivalent (FTE) staff paid by appropriated funds has decreased from 4,114 to

3,919 -- a decrease of 195 FTE's or 4.7 percent. The Library's Internet transactions have grown dramatically from 134 million in fiscal year 1996 to 931 million in fiscal year 2000. Internet-based systems include major World Wide Web services (e.g., THOMAS, LC-Web) and various file transfer options. These Internet-based systems now record more than three million transactions daily. This rapid growth will almost certainly continue to increase because the Library has put on-line more than five million items of American history as the core of a National Digital Library and has launched a new educational web site for families on April 24, 2000, called "America's Library."

THE LIBRARY OF CONGRESS
COMPARISON OF APPROPRIATIONS, STAFF, AND WORKLOAD STATISTICS
For the Fiscal years 1996, 1997, 1998, 1999 and 2000

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	CHANGE 1996 - 2000	% CHANGE
LIBRARY APPROPRIATIONS - ACTUAL	\$352,399,000	\$361,896,000	\$377,207,000	\$391,660,000	\$427,457,610	+ \$75,058,610	+ 21.3
FULL-TIME EQUIVALENT (FTE) POSITIONS (Appropriated)	4,114	4,010	3,958	3,923	3,919	- 195	- 4.7
SIZE OF LIBRARY COLLECTIONS	111,080,666	113,026,742	115,505,695	118,993,629	120,976,339	+ 9,895,673	+ 8.9
WORKLOAD STATISTICS:							
Unprocessed Library Arrearages	20,970,523	19,952,205	19,090,657	19,793,689	19,215,629	- 1,754,894	- 8.4
CRS - Requests & Services Provided Congress	487,000	531,162	560,423	545,663	584,384	+ 97,384	+ 20.0
Loans of Collections to Congress	31,026	30,708	30,614	26,193	29,276	- 1,750	- 5.6
Copyright Claims Registered	550,422	569,226	558,645	594,501	515,612	- 34,810	- 6.3
Copyright Inquiries	432,397	421,150	395,456	436,627	385,513	- 46,884	- 10.8
Services to the Blind & Physically Handicapped (BPH) - Readership	776,000	764,800	761,600	764,600	759,000	- 17,000	- 2.2
BPH - Books & Magazines; Total Circulated	22,908,900	22,437,900	22,553,100	22,665,000	22,825,000	- 83,900	- 0.4
BPH - New Braille & Audio Books & Magazines Titles	2,568	2,691	2,764	2,647	2,729	+ 161	+ 6.3
Print Materials Cataloged	289,509	289,154	274,890	205,893	224,544	- 64,965	- 22.4
National Coordinated Cataloging Operation (NACO) - LC Contribution	115,714	118,054	186,515	80,176	80,066	- 35,648	- 30.8
National Coordinated Cataloging Operation - Outside Contribution	106,182	146,858	173,721	133,011	128,160	+ 21,978	+ 20.7
Exhibits, Displays, & Publications (Funded by Appropriations)	15	14	14	14	18	+ 3	+ 20.0
Regular Tours	47,847	56,716	60,465	64,489	59,536	+ 11,689	+ 24.4
Reference Service	1,129,952	1,094,588	1,101,717	967,387	912,120	- 217,832	- 19.3
Main Reading Room & Five Other Reading Rooms Hours Per Week	65	65	65	65	65	0	0.0
Items Circulated	2,175,075	2,070,798	2,105,278	1,767,565	1,694,582	- 480,493	- 22.1
Preservation Treatment - Original Format	274,086	309,597	354,027	472,027	263,817	- 10,269	- 3.8
Mainframe Computer Transactions	204,297,492	247,691,844	270,259,005	331,103,221	85,217,677	- 119,079,815	- 58.3
Integrated Library System Input/Update Transactions	0	0	0	0	59,319,648	+ 59,319,648	0.0
Machine Readable Cataloging (MARC) Records	26,320,667	27,519,078	28,093,497	28,890,000	29,633,607	+ 3,312,940	+ 12.6
Internet Transactions (i.e., LOCIS, MARVEL, World Wide Web, and THOMAS public transactions)	134,416,660	345,221,229	615,149,938	728,226,616	931,256,160	+ 796,839,500	+ 592.8

Other noteworthy workloads include the following:

- ▶ The number of Congressional requests and services annually provided by the Congressional Research Service (CRS) increased from 487,000 in 1996 to 584,384 in 2000.
- ▶ The annual number of registrations in the Copyright Office decreased by 34,810 from 550,422 in 1996 to 515,612 in 2000, and the number of copyright inquiries answered annually decreased by 46,884 from 1996 to 2000. Fluctuations to highs in 1999 and lows in 2000 are largely attributable to the influence of the July, 1999 fee adjustment.
- ▶ The number of print materials cataloged decreased by 64,965 from 1996 to 2000 due to

additional resources dedicated to the implementation of the Library of Congress Integrated Library System (LC ILS), but arrearages continued to decrease during the same period.

- ▶ The number of information requests handled by reference staff decreased from 1.1 million in 1996 to 0.9 million in 2000, while the number of Internet transactions increased from 134 million to 931 million.
- ▶ The number of free reading materials delivered across the country each year to the blind and physically handicapped remained relatively stable at 22.8 million in 2000.
- ▶ The number of mainframe transactions decreased significantly during 2000 because of

the implementation of the LC ILS, which is a client server application, from previous multiple mainframe applications. In addition, mainframe computer transactions declined at a greater rate than the LC ILS input/update transactions increased because duplicate data entry transactions were eliminated when multiple non-integrated systems were replaced by the LC ILS.

MAJOR ACCOMPLISHMENTS IN FISCAL YEAR 2000

The Library's major accomplishments during fiscal year 2000 included the celebration of the Library's bicentennial; achievement of the Library's five-year National Digital Library goal of making five million historically significant digital items freely available on the Internet; the approval of three legislative proposals that improve the Library's financial structure and establish new mission responsibilities; final acceptance testing and implementation of the LC ILS; reduction in the Library's arrearages by 578,060 items; administration of the Russian Leadership Program for a second year; implementation of improved physical and collections security measures; receipt of the Library's fourth consecutive "clean" financial statement audit opinion; and delivery of objective, timely, nonpartisan, and confidential research and analysis to the Congress on all major legislative issues. Highlights of these and other major achievements are listed below:

Congressional Research Service:

The Congressional Research Service (CRS) provided information to Congress on matters ranging from China to Kosovo and Southeastern Europe and from Internet technologies to trade and related issues.

On the domestic front, CRS assisted the Congress as it considered matters relating to agriculture, bankruptcy reform, budget process, campaign finance reform, elementary and secondary education, the legislative process, medicare and managed care, social security, pensions, and taxation.

To provide better services to the Congress, CRS implemented the following technology improvements:

- ◆ **Legislative Information System (LIS).** The LIS made a successful transition of its automated system to the year 2000 and use by congressional staff continued to increase. The focus of development for the shared legislative information retrieval system during fiscal year 2000 was the implementation of backup and recovery processes and the implementation of additional security controls.
- ◆ **Development of the CRS Web Site.** A CRS team investigated ways to improve the CRS web site, including a pilot test to assess the potential for placing secure research requests on the web site. A new page is devoted to analysis and interpretation of the U.S. Constitution.
- ◆ **Electronic Briefing Books.** CRS continued to develop one of its newest products, the electronic briefing book, by preparing new interactive briefings on trade and K-12 education, and briefings on other topics of continuing congressional interest were updated and kept current.

Copyright Office:

Pursuant to its longstanding role as an expert advisor to the Congress and the Administration on policy and international matters, the Copyright Office provided policy advice and technical assistance on a wide-range of issues, including:

- ◆ **Digital Millennium Copyright Act Responsibilities.** In the Digital Millennium Copyright Act of 1998, Congress assigned the Copyright Office the responsibility for a major rule making and several studies. During fiscal year 2000, the Office conducted the bulk of its work on rule making relating to exemptions to the prohibition on circumvention of technological measures that control access to a copyrighted work. The Office also conducted two studies with the National Telecommunications and Information Administration, completing one study on encryption research.

◆ **Intellectual Property and Communications Omnibus Reform Act (IPCORA).** The Copyright Office advised the Congress on many aspects of the IPCORA. The centerpiece of this law is to renew for another five years the statutory license of section 119 of Title 17 in the Satellite Home Viewer Act.

◆ **Sound Recordings as Works Made for Hire.** Congress added sound recordings to the categories of works which are eligible to be works made for hire. Subsequent to that enactment, discussions arose concerning both the procedural history of the provision, as well as its effect, and the Office assisted in addressing this issue.

Copyright Arbitration Royalty Panels (CARPs). The Copyright Office initiated two CARP proceedings to resolve the remaining controversies concerning the distribution of the 1993-1997 cable royalties and the 1995-1998 DART royalties. In each case, the proceeding entered the 180-day arbitration period, and a final order will be issued during fiscal year 2001.

Compulsory Licensing. The Copyright Licensing Division implemented new royalty rates and definition changes resulting from the enactment on November 29, 1999, of the Satellite Home Viewer Improvement Act of 1999. The new rates were effective with the July 1 - December 31, 1999, accounting period.

The Copyright Office Electronic Registration, Recordation and Deposit System (CORDS). The Copyright Office continues to develop, test, and enhance the basic CORDS production system and is systematically building toward national implementation in 2003 for electronic registration and deposit of copyrighted works over the Internet. As many as 100,000 works in digital form could be received through CORDS annually by the year 2004. In April 2000, the Copyright Office began CORDS production processing with the Harry Fox Agency (HFA), the licensing subsidiary of the National Music Publishers Association, together with four music publishers. These CORDS test partners are effectively using the CORDS system to register music works and receive their copyright registration certificates within a few weeks. HFA developed special software in order to enable its many publishers to connect to the CORDS system. The Office also continued collaborating with the UMI Company, a

national publisher of digital dissertations and major submitter of copyright applications, using the CORDS system-to-system communications processing capability, for electronic registration and deposit of about 20,000 dissertations per year.

National Library Service for the Blind and Physically Handicapped (NLS):

During fiscal year 2000, NLS continued to refine and improve the Library's free national reading program as highlighted by three major accomplishments:

◆ **Web-Braille use grows as improvements are introduced.** Since its inauguration on August 24, 1999, Web-Braille on the Internet has grown to allow access to more than 3,175 digital braille book files. At the close of fiscal year 2000, 1,078 users had signed up for the new Internet service. The free on-line braille program provides a direct channel to thousands of electronic braille files for individuals, schools, and libraries with Internet connections and braille output devices such as braille embossers or refreshable braille displays. In July 2000, the NLS announced a new feature that links its *International Union Catalog* for braille and audio materials to Web-Braille; as a result, Web-Braille books may now be accessed directly from the catalog by using author, title, subject, language, keyword, and other search parameters.

◆ **Digital talking book (DTB) program developments continue.** NLS completed a draft DTB standard under the auspices of the National Information Standards Organization (NISO) after several years of intensive collaboration with the NISO committee at meetings in Louisville, Kentucky, and Los Angeles, California. NLS completed a life-cycle cost model to project future digital system costs; NLS also completed installation of a prototype digital recording system at the NLS Recording Studio, where five digital talking books have been completed, as well as a digital duplication system at the east multistate center. In addition, NLS developed specifications for the procurement of digitally recorded masters beginning in fiscal year 2002.

The NLS Digital Audio Development Committee continued its oversight of NLS digital initiatives and began a review and refinement of the twenty steps required to develop DTB's, as outlined in the seventy-two-page 1998 report *Digital Talking Books: Planning for the Future*.

- ◆ ***International Union Catalog receives major additions.*** Two major United Kingdom libraries added a total of more than 68,000 bibliographic records to the NLS *International Union Catalog of Braille and Audio Materials*. The Royal National Institute for the Blind in London added 38,000 bibliographic records in January, and the National Library for the Blind in Stockport, England, added 30,000 records in August. The *International Union Catalog* now holds more than 368,000 catalog records, an increase of nearly 100,000 records over last year. The catalog is intended to serve as a tool for direct access by U.S. readers and for interlibrary loan, as well as to reduce the duplication of effort among producers of books in special format throughout the world.

Library Services:

Library of Congress Integrated Library System (LC ILS) - The Library successfully completed initial implementation of the LC ILS with all modules operational on October 1, 1999. The LC ILS includes Cataloging, Circulation, Acquisitions and Serials check-in modules and the On-line Public Access Catalog (Windows and Web versions), as well as the Geospatial Search Module and the Media Module used at the Library to track assignment of research facilities. During fiscal year 2000, the Library and the LC ILS software vendor, Endeavor, identified, tracked, resolved, and reported on software problems and implemented solutions. The Library added a test server and software to support system performance monitoring and staffed an LC ILS Help Desk. On January 11, 2000, on-line access to the MUMS legacy system was turned off. On August 21, 2000, the Library officially accepted the system after extensive testing and forty consecutive days of acceptable response times.

National Digital Library Program - In fiscal year 2000, the National Digital Library Program (NDLP)

achieved its five year goal of making five million historically significant items freely available on the Internet. By the end of 2000, the Library provided on-line 5.6 million digital files. Collaborating institutions provided 1.1 million of the overall 5.6 million digital files. The Library placed on-line 19 new collections with almost 150 thousand digital files, and it expanded 12 existing collections with 1.5 million digital files. By the end of the fiscal year, a total of 87 collections were on-line. The Library continues to enhance and expand access to on-line content through educational tools such as *Today in History*, the Learning Page, the 2000 Educators' Institute, the Learning Center facility, and other related user outreach activities.

The NDLP staff operated 587 programs for 7,818 visitors and answered over 3,400 queries electronically. Seventy-three workshops were held in the classroom for 990 guests; 44 workshops served 700 participants via the Center's state-of-the-art video-conference facility; 315 theater-style programs served 4,951 guests; 120 programs in the alcove of computer workstations were held for 248 guests; and 35 programs with 929 guests used some combination of the Learning Center spaces.

The Library launched a new educational web site for families on April 24, 2000, called "America's Library" (www.americaslibrary.gov). The popular site combines appealing graphics with the Library's incomparable on-line American historical collections in more than 500 stories. At the end of fiscal year 2000, "America's Library" had garnered an estimated 30 million hits. The site is supported by the non-profit Ad Council through a nationwide public service campaign with the tagline: "There's a better way to have fun with history.... Log On. Play Around. Learn Something." Through donated space on the Internet, television and radio, the site received an estimated \$17.1 million in free advertising during fiscal year 2000.

Russian Leadership Program (RLP) - The second pilot year of the RLP was funded with \$10 million made available through the Freedom Support Act funding for Newly Independent States initiatives in the Department of State. The program was once again chaired by the Librarian of Congress. The RLP continued to enable emerging Russian political leaders to observe democracy and market economy in practice in the United States. From July through October 2000, 2,150 leaders (average age 38.5 years; 63 percent male, 37 percent female) traveled to the U. S. from 88 of the 89 regions

in the Russian Federation. Participants were hosted by 12 organizations in more than 500 communities in 48 states and the District of Columbia, and focused on one of 13 themes ranging from federalism to the rule of law. The 2000 program emphasized expanded exchanges with the Russian Parliament; 109 members participated, including 25 percent of the current Duma deputies. The Russian parliamentarians were hosted by 16 Senators, 52 members of the House of Representatives, and five U. S. governors. The RLP also hosted 10 alumni meetings in Russian between April and September 2000 in cities extending from Moscow to Vladivostock.

Arrearage Reduction/Cataloging - The Library made concentrated efforts to contain the growth of arrearages in fiscal year 2000, the first full year of operation of the LC ILS. At year's end, the total arrearage stood at 19,215,629 items -- a decrease of 578,060 items, nearly three percent, since September 1999 and a decrease of **51.6 percent** from the 39.7 million-item arrearage at the time of the initial census in September 1989. Staff created cataloging records for 224,544 print volumes -- nearly 20,000 more than in fiscal year 1999 -- and inventory records for an additional 50,275 items. Processing accomplishments in fiscal year 2000 include: (1) the arrearage of 79,563 items in Japanese that existed in 1995 was reduced to 4,326; (2) the first libraries from Asia, Africa, and New Zealand received training to join the Program for Cooperative Cataloging; (3) the Electronic-Cataloging-in-Publication Program was implemented throughout the Cataloging Directorate; and (4) the Library worked with bibliographic utilities and libraries with large East Asian collections to replace the outmoded Wade-Giles system for romanization of Chinese characters with the more modern pinyin system, loading 156,000 pinyin name and series authority records into the LC ILS, representing a significant permanent improvement in the usefulness of the Library's catalog.

Preservation Improvements - The Library took action during fiscal year 2000 to improve the preservation of its vast and diverse collections by: (1) completing the mass deacidification treatment via the Bookkeeper contract of 47,736 volumes; (2) binding 178,593 paperback volumes and labeling 11,598 hardcover volumes; (3) completing conservation of 700 rare books from the Thomas Jefferson Library for its exhibit in celebration of the Library's Bicentennial; (4) coordinating the preservation microfilming of 1.6 million pages of historically significant U.S.

newspapers, adding over 6,000 titles to the national union list of newspapers; (5) microfilming 3.8 million pages from the Library's collections; and (6) implementing with the Copyright Office the use of security laser-marking equipment to place LC property information safely on CD's, audio tapes, and video tapes in the Library's collections.

American Folklife Center (AFC) - The AFC put five new collections on-line as part of the Library's National Digital Library Program: *Omaha Indian Music; Fiddle Tunes of the Old Frontier; Blues, Gospel, and the Fort Valley Music Festivals; Florida Folklife from the WPA Collections; and Folklife and Landscape in Southern West Virginia*. The Center is also participating in the White House Millennium Council's "Save America's Treasures" program, in concert with the Smithsonian Institution, to preserve a priceless heritage of sound recordings housed at the two institutions. This program is known as "Save our Sounds."

Bringing Treasures to the People - The Library's collections were shared with hundreds of thousands of national and international audiences through exhibitions, special events and symposia, traveling exhibits, and major publications. Adding nine on-line exhibitions in fiscal year 2000, the Library continues to lead the nation in the presentation of its exhibitions on-line, with 28 currently available. During fiscal year 2000, the Library presented two major exhibitions, *John Bull and Uncle Sam: Four Centuries of British-American Relations* and *Thomas Jefferson* in its Thomas Jefferson building's northwest gallery. For the first time, treasures from the magnificent collections of the Library of Congress and the British Library, the two greatest library collections in the English-speaking world, were brought together in the exhibition, *John Bull and Uncle Sam*, which opened November 17, 1999. The exhibit illuminated the interwoven history of the two nations from the earliest British settlement in Virginia to the present and provided unique insights into the relationship of the United States and Great Britain. *Thomas Jefferson* was presented in April 2000 as part of the Library's bicentennial program and drew from the Library's unparalleled collection of Thomas Jefferson material (documents, books, drawings, and prints), as well as selected personal artifacts borrowed from several institutions. *Jefferson* traced the origins and evolution of Jefferson's thinking and examined the influence his thoughts and interests have had on his own life, this republic, and the world. The exhibition's last

area was a re-creation – part actual and part virtual – of Jefferson’s library that will remain on view when the exhibition closes in November 2000.

The presentation of the unprecedented long-term *American Treasures* exhibition continued throughout fiscal year 2000 in the Thomas Jefferson building’s southwest gallery. Many of the fragile items, including those considered to be the Library’s Top Treasures, were replaced three times during the year and included the rarest and most significant items in various formats relating to America’s past from the Library’s collections.

Three major exhibitions, *The Work of Charles and Ray Eames: A Legacy of Invention*, *Sigmund Freud: Conflict and Culture*, and *Religion and the Founding of the American Republic* traveled extensively to venues on three continents. Six smaller exhibits (Life of the People: Realist Prints and Drawings from the Ben and Beatrice Goldstein Collection, 1912-1948; Arthur Szyk: Artist for Freedom; 28th Annual LCPA Employee’s Art Exhibit; Wizard of Oz: An American Fairy Tale; Living and Reliving the Saga; Blondie Gets Married) were mounted during the year in various other galleries and reading rooms of the Library, and five displays were installed for special events. The first Family Guide was produced to provide a self-guided experience of the Thomas Jefferson building and its exhibitions.

Visitors - The Visitor Services Office conducted 3,138 tours for 59,536 visitors; conducted 686 tours for 12,185 congressional constituents from 363 congressional offices; and arranged 581 professional appointments for 1,850 VIPs, professionals, and students representing 101 different countries. The Office staffed a Researcher Guidance Desk where 10,225 first-time readers received assistance. The cadre of 190 volunteers in the Office provided 26,239 hours of service, conducted 1,769 public tours and 44 Spanish-language tours, and responded to inquiries from 189,393 visitors.

Publications - Major publications in fiscal year 2000 included: Thomas Jefferson: Genius of Liberty (Viking Studio), The Library of Congress: An Architectural Alphabet (Pomegranate), America’s Library: The Story of the Library of Congress, 1800-2000 (Yale University Press), and The Nation’s Library: The Library of Congress, Washington, DC (Scala). The Library of Congress: An Architectural Alphabet was the topic of

feature articles in The Washington Post and Preservation magazine, received a design award from the American Association of Museums, and was named one of the top books for young readers by Smithsonian magazine.

Library of Congress Cybercasting - The Library continued its pilot program to broadcast events of wide national interest on its web site. During fiscal year 2000, events that were cybercast included: an "Interview with Disney Chairman and CEO Michael Eisner" on October 5, 1999; an "Interview with Actor Christopher Reeve" on October 26, 1999; "Democracy and the Rule of Law in a Changing World Order" March 7-10, 2000; and "Poetry in America: A Library of Congress Bicentennial Celebration" on April 3, 2000.

Geographic Information System (GIS) - The Geography and Map Division continues to serve the Congressional Research Service, the Congressional Relations Office, Members of Congress and the public with their GIS needs, collecting digital data and working with private sector partners to create a GIS infrastructure for the Library of Congress. Fiscal year 2000 was a very productive year for the National Digital Library Program for Cartographic Materials. The U.S. Railroad Maps digital collection was completed. *Civil War Maps* was inaugurated as a multi-year digital project. A total of 1,800 maps will be put on-line, of which 290 are currently available. A special presentation was added to the *Meeting of Frontiers* website, including maps from the seventeenth to the twentieth centuries by American, Russian, and European cartographers. The special presentation of *Puerto Rico at the Dawn of the Modern Age* was presented, adding several significant maps of the region. *The American Revolution and Its Era: Maps and Charts of North America and the West Indies, 1750-1789* was put on-line and maps will be added monthly. *Census Atlases: Presenting the Nation’s Cultural Geography* was introduced; the 1870, 1880 and 1890 atlases were completed, and the 1970 is currently in process. The *Geographical Fun Atlas* consisting of twelve maps of European countries, each with a unique national stereotype based on the outline and shape of the country, was completed. By the end of fiscal year 2000, 3,999 maps were made available on-line.

Collaborative Digital Reference Service (CDRS) - The CDRS provides professional reference service to researchers any time, anywhere, through an international digital network of libraries and related

institutions. The service is piloting the use of new technologies to provide the best answers at the lowest cost by taking advantage, not only of the millions of Internet resources, but also of the many more millions of resources that are not on-line and held by libraries. CDRS supports libraries by providing them additional choices for the services they offer their end users. Participating libraries will assist their users by connecting to the CDRS to send questions that are best answered by the expert staff and collections of CDRS member institutions from around the world, including the national libraries of Australia and Canada.

The Meeting of Frontiers - The Library launched *The Meeting of Frontiers* pilot site of 70,000 images chronicling the parallel experiences of the United States and Russia in settling their frontiers in the Pacific Northwest and Alaska. The project is being conducted in partnership with the Russian State Library and the National Library of Russia. Digital images of unique and rare materials in American and Russian collections are made freely available over the Internet.

Law Library:

Global Legal Information Network (GLIN) - GLIN is a cooperative international network in which nations are contributing the full, authentic text of statutes and regulations to a database managed by the Law Library of Congress. During fiscal year 2000, the Law Library made numerous national and international presentations to promote GLIN as an international model for electronic legal information systems and cooperative networking; hosted the seventh annual GLIN Directors' Meeting; and conducted three GLIN training seminars for member countries. During fiscal year 2000, the Law Library added two new member countries, for a total 14 countries contributing information to GLIN via the Internet.

Law 2000 - Library's Bicentennial Celebration - The Law Library played a strategic role in coordinating an international symposium, "Democracy and the Rule of Law in a Changing World Order," attended by the Chief Justice and four U.S. Supreme Court Justices. Judges, legislators, legal scholars and experts in various fields from 21 countries analyzed democracy and the rule of law in the context of the state and human rights, corporate power and the global economy, national sovereignty, the roles of women, responsible and fair

use of natural resources, religion and governance, and multiethnic and multiracial states.

Management Support Services:

Bicentennial Commemoration - The Library celebrated its 200th anniversary with a wide array of programs and activities. The Congress approved a concurrent resolution commending "the Library of Congress and its employees, both past and present, on 200 years of service to the Congress and the Nation" and the President signed a proclamation on April 21, 2000, stating that "The Library of Congress is truly America's Library." On the Bicentennial date, April 24, 2000, bimetallic and silver commemorative coins were issued at a ceremony in the Great Hall of the Thomas Jefferson Building. The U.S. Mint experienced record-breaking sales for a first-day launch event and by the end of September 2000 had sold some 235,000 silver and 32,000 bimetallic coins with a surcharge income total of nearly \$2.8 million. The U.S. Postal Service issued a commemorative stamp that day with similar success—46,000 stamps were sold on the 24th alone. Beginning on April 25th, more than 200 libraries in 43 states held second-day issue events for the stamp with local postal and governmental officials. A press conference on the day of the Bicentennial celebration heralded the start-up of a new, easy-to-use Web site for families, *America's Story*. The premier Bicentennial exhibition, *Thomas Jefferson*, opened on the 24th with, for the first time ever, the re-creation of Jefferson's library in the original order he devised. It joined another popular Bicentennial exhibition already open in the Great Hall galleries, *The Wizard of Oz: An American Fairy Tale*. The grand occasion for staff and the public was the program and concert on the East Lawn of the Capitol with emcees Cokie Roberts of ABC News and Mickey Hart of the Grateful Dead. Among the 84 Library of Congress "*Living Legends*" honored that day -- Americans who have advanced and embodied the quintessentially American ideal of creativity, dedication, and exuberance -- were U.S. General Colin Powell (ret.), magician and illusionist David Copperfield, cardiovascular surgeon Michael DeBakey, author Beverly Cleary, dancer Suzanne Farrell, technology innovator Vinton Cerf, photographer Gordon Parks, and Big Bird.

One of the most significant and far-reaching of the Bicentennial programs was the Local Legacies Project. Local Legacies involved Congress, individuals, libraries, and local organizations throughout the nation in the celebration of America's richly diverse culture. Local Legacies teams documented the creative arts, crafts, and customs representing traditional community life; signature events such as festivals and parades; how communities observe local and national historical events; and the sites and occupations that defined a community's life. Seventy-seven percent of Congress -- 414 of the 535 Members -- registered nearly 1,300 Local Legacies projects from every state, trust, territory, and the District of Columbia. Four thousand Americans provided photographs, written reports, sound and video recordings, newspaper clippings, posters, and other materials as part of their projects. Almost 1,000 projects were received and are in the process of being included in the collection of the American Folklife Center. Like a century's-end time capsule, the scenes, sights, and events of everyday America featured in these projects are a testament to the uniqueness of our nation and to the pride of its citizens in their heritage. In appreciation for the contributions of the Local Legacies participants, three days of special tours and other opportunities to meet with Library staff were scheduled in late May and a festive reception was held in the Great Hall, attended by two thousand participants and Members. A sampling of Local Legacies photographs and project descriptions is available on the Bicentennial Web site (www.loc.gov/bicentennial/), while fund-raising continues for the resources needed to digitize and put on-line a more complete selection of project materials.

The Bicentennial's highly successful Gifts to the Nation program brought special donations and treasures to the collections, including Harry A. Blackmun's papers; the first American Haggadah; a letter of Beethoven's; a Persian celestial globe; a survey of land in Frederick County, Virginia, signed by George Washington; and James E. Hinton's 1960s civil rights photographs. Eighty-two nations of the world also presented over 1,000 publications, many of them rare or limited edition items, for the "International Gifts to the Nation Project."

Both the generosity of donors and partnerships with other institutions and organizations supported other noteworthy Bicentennial projects. Four new publications were made available and a symposium for

the Congress on the evolution of how it has informed itself, *Informing the Congress and the Nation*, was supported by donors and partners. Other events included *Poetry and the American People: Reading, Voice, and Publication in the 19th and 20th Centuries* in April followed a presentation the previous evening of the first 50 videotaped *Favorite Poems* to the Library by then Poet Laureate Robert Pinsky.

The celebration of the Bicentennial included the Congress, the Library's staff, scholars, librarians, and people from throughout the nation and the world. Without the contribution of their time, talents, and industry and without millions of dollars in donations from individuals, foundations, and the private sector, this splendid commemoration of the 200th birthday of the Library would not have been possible.

Strategic Plan (1997 - 2004) - The Library's 1997-2004 Strategic Plan identifies the mission, priorities, values, and objectives that take the Library into the 21st century. Building on the plan, the Planning, Management, and Evaluation Directorate (PMED) coordinated the development of the Annual Program Performance Plan, which established goals and performance measures for each program and support unit. PMED also coordinated the development of an integrated time-line for the Library's Planning, Programming, Budgeting, Execution, and Evaluation System (PPBEES). As part of the PPBEES process, the Library successfully implemented a tool for acquiring and allocating infrastructure support resources for the growing program workload, ensuring that the fiscal year 2001 budget will be executed as planned.

Authorizing Legislation - The 106th Congress passed four important pieces of authorizing legislation that improve the Library's financial management and further support the Library's national mission. The Library of Congress Fiscal Operations Improvement Act of 2000, P. L. 106-481, represents a milestone in the Library's financial management; the bill creates three revolving funds to manage important elements of the Library's operations including services to Federal libraries (FEDLINK), research reports and studies for Federal entities (Federal Research Division), gift shop sales, photo duplication services, and duplication services associated with the Audio Visual Conservation Center. The Congress also enacted the Sound Recording Preservation Act, P. L. 106-474, modeled on the highly successful Film Preservation Foundation Act. Initial

funding has been requested by the Library, but the Library is proceeding to bring the board into existence and seeking private funds to support the initial expenses of setting up the organization and establishing a plan to produce a comprehensive survey of sound preservation needs. Finally, the 106th Congress enacted two bills that utilize the collections and curatorial and staff expertise of the Library: P. L. 106-99, which authorizes the Library to prepare and publish a history of the House of Representatives, and P. L. 106-380, which creates an archive for veterans oral histories in the American Folklife Center.

Year 2000 Century Change - During fiscal year 2000, the Library successfully completed more than a two-year-long project to ensure that its computer systems would function properly at the turn of the century. Working with staff throughout the Library, information technology staff led the effort to prepare all 99 mission-critical and 292 non-mission critical systems for the century change by the end of calendar year 1999. The Library's communication systems were also ready for the date change. The Library developed a Y2K Business Continuity Contingency Plan, which included security back-up systems, and participated in the legislative branch-wide critical incident command center operations.

Information Technology (IT) Disaster Recovery - During fiscal year 2000, a Library team was formed to continue the process of identification and analysis of viable options for preparing the Library to restore rapidly and cost-effectively any mission-critical information processing capability and data lost in the event of a disaster impacting the central data center. The options included: (1) establishing mutual support agreements with House Information Resources; (2) contracting with commercial providers of computing and communication recovery services; and (3) installing and maintaining redundant computing capabilities.

The team determined that commercial providers of computing and communications recovery services provide the best balance of reliable service at reasonable cost. A requirements identification document describing the current configuration of the Library's data center was prepared and submitted to General Services Administration's Federal Computer Acquisition Center (GSA FCAC) for their review and submission to pre-approved contractors.

The Library completed a number of subordinate tasks related to disaster recovery and business continuity. For example, the first phase of installation and testing of redundant computing facilities in the Senate Computer Center in support of high-availability fail-over processing for the Legislative Information System (LIS). A backup-server, storage, storage area network, and all related software were installed. The system will be operational early in fiscal year 2001. Additional data storage and archival equipment (deep backup systems) in support of the LIS and American Memory will also be installed at the Senate in fiscal year 2001. Finally, a new 750KVA 60Hz uninterruptible power supply was installed in the Library's computer center.

IT Security and Infrastructure - Several computer security initiatives were accelerated in January 2000 in response to a computer hacking incident involving the THOMAS Web site. Damage control took immediate precedence and was successful. Other tasks involved preservation of evidence, removal of non-critical services, an audit of all major servers, quarantine of critical servers, and reporting to proper authorities. Inactive server accounts were closed; a full inventory of accounts throughout the Library was initiated, and plans were made for routine account maintenance and hardening of passwords.

The Library continued to consolidate and initiate IT security initiatives throughout the Library in its effort to develop a cohesive IT Security Program. That work is ongoing and will also require the application of additional resources over time. Security staff attended a number of security symposia, conferences, and briefings on the most critical Internet security threats. The Library also formally joined FedCIRC and participated in the White House survey of Federal agency information systems security activities.

The Library-wide Computer Security Coordination Group met frequently and covered a variety of topics, including antivirus software distribution, virtual private networking, and the National Academy of Sciences report. A draft document, "Architecture for Security Infrastructure," was completed. Other significant accomplishments during fiscal year 2000 included: (1) expanded secure tunneling for outside access to private networks was implemented, virtual private network software was installed, and a successful pilot test was conducted; (2) an inventory of procedures for maintaining integrity of Library digital collections was

completed, and technical leadership was provided to the Digital Collections Security Working Group; (3) a solicitation for a security training contract was developed; (4) computer security awareness briefings were held for new employees and Library managers; (5) a Library-wide computer security Web site was developed and launched; (6) an automatic distribution module for antivirus software was implemented; and (7) a Secure Socket Layer was added to Library web mail and virus-checking software (Guinevere) was installed for GroupWise mail.

Security of Facilities, Staff, and Collections - During fiscal year 2000, the Library made progress in implementing its Security Enhancement Plan, including: (1) increasing police staffing with the addition of forty-six new officers and three administrative personnel; (2) identifying space for and completing preliminary design work for a consolidated Police Communication Center; and (3) designing additional access control measures (e.g., construction of curb walls, bollards, police shelters, vehicle barriers, and modification of building entrances to accommodate additional security screening equipment).

The Library's Office of Security, in collaboration with the Collections Security Oversight Committee, implemented further controls during fiscal year 2000 to protect the Library's collections. Major accomplishments included: (1) coordinating with the Architect of the Capitol and the Library's Integrated Support Services Directorate on planned secure collections storage vaults for the Law Library, Geography and Map Division, Prints and Photographs Division, and Music Division; (2) working closely with several custodial chiefs to upgrade security controls protecting the Library's most valuable (platinum and gold) collections; (3) planning and installing security controls protecting high risk collections items displayed on exhibit, including *American Treasures*, the *Bob Hope Gallery*, *John Bull and Uncle Sam*, *Jefferson Library*, and the *Wizard of Oz*; (4) collaborating with Library Services and the Copyright Office on the procurement and allocation of 61 secure book carts and five safes enhancing the protection of high-risk collections; and (5) working closely with the Office of the Inspector General in contracting for random sampling efforts to produce credible baselines of theft and mutilation in select divisions.

Restoration and Renovation of the Thomas Jefferson and John Adams Buildings - During fiscal year 2000, the Library completed a number of moves and actions that are a part of the multi-year plan to outfit and occupy the remaining renovated spaces of the Thomas Jefferson and John Adams buildings. Major accomplishments include completing work on the Whittall Pavilion, the Coolidge recording lab, and the attic spaces of the John Adams building. In addition, the Bob Hope gallery was established.

Gift and Trust Funds - During fiscal year 2000, the Library's fund-raising activities yielded a total of \$85.7 million representing 1,097 gifts and pledges to 76 different Library funds. These gifts included \$5.4 million in cash gifts and \$80.3 million in new pledges, making it the best year ever for gifts received from the private sector. Eighteen new gift and trust funds were established. At year's end, outstanding pledges (including conditional amounts) totaled \$81.5 million. During fiscal year 2000, the Library celebrated the tenth anniversary of the James Madison Council, a private-sector group dedicated to assisting the Library in reaching out beyond its walls and sharing its unparalleled riches with the nation and the world. During the past ten years, the Madison Council has given \$134.6 million to the Library.

Private gifts supported a variety of new and continuing programs throughout the Library, including exhibitions, acquisitions, symposia, and an extensive series of Bicentennial programs. John W. Kluge, chairman of the James Madison Council and the Library's leading benefactor, made a gift of \$60 million to establish *The John W. Kluge Center at the Library of Congress and The John W. Kluge Prize in the Human Sciences*. Funds from this endowment will bring the world's leading thinkers into periods of residence at the Library on a rotating basis in order to make greater and more consequential use of the world's greatest collection of human knowledge and to make the deep wisdom of the world's most important scholars continuously accessible to the world's most important lawmakers. The endowment will also make possible the periodic award of a \$1 million prize that will fill a notable gap in the Nobel prizes in the area of the human sciences.

Other major gifts received during the fiscal year included \$9 million in conditional pledges from Jack Friedman, The Richard and Rhoda Goldman Foundation, John Kluge, The Gruss Lipper Foundation,

and Jack Nash toward the purchase of the Valmadonna Trust Library; \$3.7 million in additional gifts from The Starr Foundation and 34 other donors for the *Henry A. Kissinger Chair in Foreign Policy and International Relations*, bringing the total gifts received for the chair to \$4.2 million; \$2 million from an anonymous donor for the acquisition of materials for the American Folklife Center; \$1.5 million from Cary and Ann Maguire to establish *The Cary and Ann Maguire Chair in Ethics and American History* to conduct research on the ethical dimensions of leadership within the United States and/or on the ethical implications of significant issues, events and movements in American history; \$1 million each from Charles Durham and Nancy Glanville to support the *Edwin L. Cox American Legacy Acquisition Fund*, as well as the acquisition of the *Kenneth Walker Collection of Architectural Drawings*; and a \$1 million bequest from the late Verna Fine to establish *The Verna and Irving Fine Fund* to support modern American music through activities related to the music of Irving Fine and other American composers whose works are housed at the Library. Through the *Gifts to the Nation* program for the Bicentennial, the Library brought in 241 gifts totaling \$81.8 million during fiscal year 2000. These additional gifts bring the total Gifts to the Nation to 315 gifts totaling \$106 million.

STEWARDSHIP REPORTING

The standard for stewardship reporting on selected assets classified as "Heritage Assets" developed by the Federal Accounting Standards Advisory Board (FASAB) is mandatory for fiscal years 2000 and 1999. The standard applies to entities (1) that control stewardship resources and (2) whose financial statements purport to be in accordance with federal accounting principles and standards developed by FASAB and accepted by the principals. All stewardship information is deemed "required supplemental stewardship information."

In fiscal year 1995, the Library, in consensus with its independent auditors, determined its collections were within the stewardship resource classification and prepared its first stewardship report. By beginning in fiscal year 1995, the Library initiated developing a data collection and a trial reporting methodology that lead to fulfilling the objectives of the stewardship reporting standard -- to assist in judging the long-term

effectiveness of expenditures for "heritage assets," the results of inputs and outcomes, and the financial impact of sustaining current services.

Consistent with the guidelines provided by FASAB, the Library has prepared its sixth stewardship report on its collections that provides the suggested relevant information concerning the asset description, acquisition, preservation, security, use, estimated number of items, and expenditures. The Stewardship Report is included as Section 3 of this report.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The Library's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the Library of Congress, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the Consolidated Financial Statements. While the statements have been prepared from the books and records of the Library, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

THE LIBRARY OF CONGRESS

Consolidated Balance Sheet

As of September 30, 2000 and 1999

	2000	1999
ASSETS		
Entity Assets:		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	\$ 176,555,765	\$ 163,619,265
Investments (Note 5)	36,866,506	35,586,097
Accounts Receivable, Net (Note 6.A)	8,831,567	4,359,014
Other Assets	726,048	453,829
Investments (Note 5)	26,368,508	18,879,646
Accounts Receivable, Net (Note 6.A)	272,130	381,885
Pledges Receivable - Donations (Note 6.B)	71,694,577	13,473,626
Cash and Other Monetary Assets (Note 3)	979,776	1,725,468
Inventory (Note 7)	2,592,057	2,443,353
Property and Equipment, Net (Note 8)	60,587,657	63,145,883
Other Assets	442,623	0
Library Collections (Note 1.M)		
Total Entity Assets	<u>385,917,214</u>	<u>304,068,066</u>
Non-Entity Assets:		
Fund Balance with Treasury (Note 2)	90,807	140,737
Investments, Intragovernmental Securities (Note 5)	612,329,913	774,757,749
Accounts Receivable, Net (Note 6.A)	5,252	27,464
Cash and other Monetary Assets (Note 3)	0	16,779
Total Non-Entity Assets	<u>612,425,972</u>	<u>774,942,729</u>
Total Assets	<u>\$ 998,343,186</u>	<u>\$ 1,079,010,795</u>
LIABILITIES		
Liabilities Covered by Budgetary Resources:		
Intragovernmental liabilities		
Accounts Payable	\$ 3,699,166	\$ 3,376,927
Advances from Others	28,843,963	28,969,475
Accrued Funded Payroll, Benefits	2,575,646	2,221,723
Accounts Payable	25,147,730	21,879,361
Advances From Others	2,563,493	2,313,636
Custodial Liability	612,326,358	774,915,266
Accrued Funded Payroll, Benefits	15,349,593	13,211,669
Other Liabilities (Note 12)	3,398,408	284,632
Total Liabilities Covered by Budgetary Resources	<u>693,904,357</u>	<u>847,172,689</u>
Liabilities not Covered by Budgetary Resources:		
Deposit Account Liability	4,406,438	3,960,676
Accrued Unfunded Annual and Compensatory Leave	18,172,800	17,131,692
Accrued Unfunded Workers' Compensation (Note 10)	11,486,933	11,565,983
Deferred Credits - Pledges	58,102,313	349,150
Capital Lease Liability (Note 9.A)	726,871	5,939,845
Other Liabilities (Note 12)	61,108	31,937
Total Liabilities not Covered by Budgetary Resources	<u>92,956,463</u>	<u>38,979,283</u>
Total Liabilities	<u>786,860,820</u>	<u>886,151,972</u>
NET POSITION		
Balances:		
Unexpended Appropriations (Note 13)	78,690,189	70,683,170
Cumulative Results of Operations	132,792,177	122,175,653
Total Net Position	<u>211,482,366</u>	<u>192,858,823</u>
Total Liabilities and Net Position	<u>\$ 998,343,186</u>	<u>\$ 1,079,010,795</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE LIBRARY OF CONGRESS

Consolidated Statement of Net Costs

For the Fiscal Year Ended September 30, 2000 and 1999

	2000	1999
Net Costs by Program Area:		
Library Services:		
Program Costs	\$ 269,968,180	\$ 239,046,427
Less Earned Revenue	<u>5,143,941</u>	<u>4,868,749</u>
Net Program Costs	264,824,239	234,177,678
Law Library:		
Program Costs	15,624,951	14,562,531
Less Earned Revenue	<u>5,000</u>	<u></u>
Net Program Costs	15,619,951	14,562,531
Copyright Office:		
Program Costs	51,924,273	48,039,321
Less Earned Revenue	<u>25,258,222</u>	<u>18,218,923</u>
Net Program Costs	26,666,051	29,820,398
Congressional Research Service:		
Program Costs	97,832,426	96,017,808
Less Earned Revenue	<u>23</u>	<u></u>
Net Program Costs	97,832,403	96,017,808
National Library Service for the Blind and Physically Handicapped:		
Program Costs	45,620,915	46,397,702
Less Earned Revenue	<u></u>	<u></u>
Net Program Costs	45,620,915	46,397,702
Reimbursable Funds:		
Program Costs	59,353,696	53,661,537
Less Earned Revenue	<u>52,177,489</u>	<u>47,897,166</u>
Net Program Costs	7,176,207	5,764,371
Revolving Funds:		
Program Costs	16,055,369	15,646,988
Less Earned Revenue	<u>6,550,739</u>	<u>6,281,721</u>
Net Program Costs	9,504,630	9,365,267
Costs not Assigned to Programs		35
Less Earned Revenue Not Attributed to Programs	<u></u>	<u></u>
Net Costs of Operations	<u>\$ 467,244,396</u>	<u>\$ 436,105,790</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE LIBRARY OF CONGRESS

Consolidated Statement of Changes in Net Position

For the Fiscal Year Ended September 30, 2000 and 1999

	2000	1999
Net Costs of Operations	\$ 467,244,396	\$ 436,105,790
Financing Sources (Other than Exchange Revenue)		
Appropriations Used	382,441,938	369,861,197
Imputed Financing (Note 19)	51,366,466	47,069,122
Donations	36,416,985	15,444,571
Other Non-Exchange Revenue	7,635,531	4,629,906
	<hr/>	<hr/>
Total Financing Sources	<u>477,860,920</u>	<u>437,004,796</u>
Net Change in Cumulative Results of Operations	10,616,524	899,006
Increase in Unexpended Appropriations (Note 20)	<u>8,007,019</u>	<u>2,311,847</u>
Change in Net Position	18,623,543	3,210,853
Net Position, Beginning	<u>192,858,823</u>	<u>189,647,970</u>
Net Position, Ending	<u>\$ 211,482,366</u>	<u>\$ 192,858,823</u>

The accompanying notes are an integral part of these consolidated financial statements

THE LIBRARY OF CONGRESS

Combined Statement of Budgetary Resources

For the Fiscal Year Ended September 30, 2000 and 1999

	2000	1999
Budgetary Resources		
Budget Authority	\$ 395,683,685	\$ 376,536,206
Unobligated Balances - Beginning of Period	846,102,067	771,524,710
Spending Authority from Offsetting Collections	343,633,786	363,271,052
Adjustments, net	<u>(595,130)</u>	<u>1,527</u>
Total Budgetary Resources	<u>\$ 1,584,824,408</u>	<u>\$ 1,511,333,495</u>
Status of Budgetary Resources		
Obligations Incurred, New	\$ 900,348,361	\$ 665,231,429
Unobligated Balance - Available	661,732,297	824,644,428
Unobligated Balance - Not Available	<u>22,743,750</u>	<u>21,457,638</u>
Total, Status of Budgetary Resources	<u>\$ 1,584,824,408</u>	<u>\$ 1,511,333,495</u>
Outlays		
Obligations Incurred, New	\$ 900,348,361	\$ 665,231,429
Less: Spending Authority from Offsetting Collections and Adjustments	<u>349,391,942</u>	<u>368,574,865</u>
Subtotal	550,956,419	296,656,564
Obligated Balance, net - Beginning of Period	122,411,560	115,976,948
Less: Obligated Balance, net - End of Period	<u>133,617,019</u>	<u>122,411,560</u>
Total Outlays	<u>\$ 539,750,960</u>	<u>\$ 290,221,952</u>

The accompanying notes are an integral part of these statements.

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2000 and 1999

1 *Summary of Significant Accounting Policies*

A. Reporting Entity

The Library of Congress (Library), a legislative branch agency of the federal government, was established in 1800 primarily to provide information and policy analyses to the members and committees of the U.S. Congress. Since then, the Library has been assigned other major missions such as administering the U.S. copyright laws, providing cataloging records to the Nation's libraries, and coordinating a national program to provide reading material for blind and physically handicapped residents of the U.S. and its territories and U.S. citizens residing abroad. The Library also provides services to other federal agencies and administers various gift and trust funds.

The Library's programs and operations are subject to oversight by the Joint Committee on the Library which is comprised of members of the U.S. House of Representatives and Senate. The Library relies primarily on appropriated funds to support its programs and operations. Budget requests are subject to review by the House and Senate Appropriations Committees' Subcommittees on Legislative Branch Appropriations. The Library also receives funds from other agencies for services provided under the Economy Act and other statutes. In addition, the Library receives donations from the public in the form of gifts and trusts. The trust funds are controlled by the Library of Congress Trust Fund Board, which consists of the Librarian of Congress (who is Chairman and Secretary of the Trust Fund Board), the Chairman of the Joint Committee on the Library, the Secretary of the Treasury (or an assistant secretary designated in writing by the Secretary of the Treasury), and ten additional members appointed by the President (2), the U.S. House of Representatives (4), and the U.S. Senate (4).

Entity activities are those for which the Library has the authority to use the assets. Non-entity activities consist primarily of custodial accounts which are not available for use by the Library.

B. Basis of Presentation

The accompanying consolidated statements report the financial position, operations, and changes in net position and the combining statement reports the budgetary resources of the Library for fiscal year 2000 and 1999. Certain amounts for 1999 have been reclassified to conform with the 2000 presentation of those amounts. These consolidated and combined financial statements include the accounts of all funds under the Library's control which have been established and maintained to account for the resources of the Library. They were prepared from the Library's financial management system in accordance with the generally accepted accounting principles.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the standards developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budget data into the overall federal government structure. For purposes of financial management and reporting, the Library has issued a regulation (LCR 1510) which adopts the federal standards for financial reporting and internal controls in a manner consistent with a legislative agency. The Library has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers Financial Integrity Act and

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2000 and 1999

the Government Performance and Results Act, as these standards are not applicable to the Library. However, the Library uses these sources as guidance and reference in its operations.

All significant intra-agency balances and transactions have been eliminated in consolidation.

The statements include 5 (5) appropriated fund accounts; 11 (11) revolving funds; reimbursable funds (including four major programs); 93 (92) trust funds; and 133 (139) gift funds for fiscal year 2000 (and 1999, respectively).

C. Basis of Accounting

Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over use of federal funds. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The General Accounting Office (GAO), Office of Management and Budget (OMB), and Department of the Treasury established the Federal Accounting Standards Advisory Board (FASAB) for the purpose of considering and recommending accounting principles, standards, and requirements to GAO, Treasury, and OMB. FASAB has issued, and the three sponsoring organizations have approved, a comprehensive set of accounting standards which cover most transactions. The accompanying financial statements are prepared in accordance with these standards. However, transactions that are not addressed by these standards may still be incurred and the following hierarchy shall be viewed as the source of providing generally accepted accounting principles:

- Individual FASAB standards agreed to by the Controller General, the Director of OMB, and the Secretary of the Treasury, and

published by OMB and the General Accounting Office;

- Interpretations related to the FASAB standards issued by FASAB and Technical Releases issued by the FASAB's Accounting and Auditing Policy Committee;
- Requirements contained in OMB's Form and Content Bulletin in effect for the period covered by the financial statements;
- Library of Congress Regulations and Financial Services Directives; and
- Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first four parts of this hierarchy, and (2) if the use of such accounting standards improve the meaningfulness of the financial statements.

D. Revenues and Other Financing Sources

The Library receives the majority of its funding to support its programs through five appropriations that include both annual and no-year funding. The appropriated funds may be used, within statutory limits, for operating and capital expenditures including equipment, furniture and furnishings. The five appropriations are:

- Library of Congress, Salaries and Expenses - (annual and no-year)
- Copyright Office, Salaries and Expenses - (annual and no-year)
- Congressional Research Service, Salaries and Expenses - (annual)
- National Library Service for the Blind and Physically Handicapped, Salaries and Expenses - (annual and no-year)

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2000 and 1999

- Furniture and Furnishings - (annual and no-year)

Additional amounts are obtained through reimbursements from services performed for other federal agencies as authorized by the Economy Act and the Library's annual appropriation legislation. Also, the Library receives gifts from donors and interest on invested funds. In addition, the Library operates several self-sustaining gift revolving funds which generate revenues from the sale of various products and services to the public and federal customers.

Appropriations are recognized as revenues at the time they are expensed. Other revenues are recognized when earned. Reimbursable and revolving fund revenue is recognized when goods have been delivered or services rendered.

E. Gift and Trust Funds

The Library administered 226 and 231 gift and trust funds with combined asset value of approximately \$150 million and \$79 million during fiscal years 2000 and 1999, respectively. Funds are restricted as to their use, which must be in accordance with the terms of the gift agreement. In general, funds are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on trust funds by the terms of a trust agreement or donor's will. Library fund managers administer and oversee the gift and trust funds to ensure they are used as directed by the donors and in accordance with Library policy.

F. Fund Balance with Treasury

The amount shown as Fund Balance with Treasury represents the balances of the appropriated, reimbursable, gift and trust, revolving, deposit and custodial funds that are on deposit with the U.S. Treasury.

G. Cash and Other Monetary Assets

Cash and other monetary assets are defined as all cash not held by the U.S. Treasury. This category includes deposits in transit, cash on hand and **imprest** funds.

The Library receives and utilizes foreign currencies in carrying out operations abroad as it conducts business through six overseas offices. Foreign currency balances at year-end are immaterial to the consolidated financial statements.

H. Investments (Net)

Gift and Trust Funds - The Library of Congress Trust Fund Board determines the investment policy for the Library's gift and trust funds. The policy provides three options for investment of trust funds:

- a permanent loan with the U.S. Treasury
- a pool of U.S. Treasury market-based securities
- a private investment pool consisting of the following stock, index and money market funds utilized during fiscal year 2000 and 1999:
 - Vanguard Index Trust - Small Capitalization Stock Portfolio (Redeemed during fiscal year 1999)
 - Vanguard 500 Index Fund
 - Vanguard Total Stock Market Index Fund (Acquired during fiscal year 1999)
 - Vanguard Prime Money Market Fund
 - CGM Mutual Fund (Redeemed during fiscal year 1999)
 - Mutual Beacon Fund (Redeemed during fiscal year 1999)
 - Fidelity Fifty Fund
 - Fidelity Stock Selector

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● Robertson Stephens Funds - The Emerging Growth Fund

The policy for gift funds allows only for investment in U.S. Treasury market-based securities.

Under 2 U.S.C. 158, up to \$10 million of the Library's gift and trust funds may be invested with the U.S. Treasury as a permanent loan at a floating rate of interest, adjusted monthly, but no less than four percent per annum. The permanent loan is an interest bearing investment recorded at cost, which is market value.

Treasury securities are intended to be held to maturity, are valued at cost, and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method.

Stock and money market funds are stated at current market value and are considered available for sale. Unrealized gains and losses are recognized and recorded as a component of non-exchange revenue in the statement of changes in net position.

All gift and trust fund investments are obtained and held by the gift and trust funds under conditions set forth in the respective gift and trust instruments.

Custodial Fund - Copyright royalties collected by the Copyright Office on behalf of copyright owners are invested, net of service fees, in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method which approximates the effective interest method. These investments will be held until distributions are made to copyright owners. Income accrues to the benefit of the copyright owners.

Deposit Funds - Pursuant to Public Law 105-80, funds deposited by copyright applicants are invested, based on the unearned balance available, by the Copyright Office

in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method. These investments will be held until the deposit fees are earned and income accrues to the benefit of the Copyright Office.

I. Accounts Receivable

Accounts receivable generally resulted from billings to other federal agencies under reimbursable interagency agreements for data base retrieval and other library services. The Library has established an allowance for doubtful accounts of \$38,899 and \$4,012 for fiscal years 2000 and 1999, respectively, against governmental accounts receivable based on past collection experience. The Library does not record allowance for doubtful accounts for intragovernmental accounts receivable in accordance with FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 1, "Accounting for Selected Assets and Liabilities," which cites that "losses on receivables should be recognized when it is more likely than not that the receivable will not be totally collected". Intragovernmental receivables are likely to be totally collected.

J. Pledges Receivable

Contributions of unconditional promises to give (pledges) to the Library and the Library of Congress Trust Fund Board are recognized as donated revenue in the period the pledge is received. They are recorded at their estimated present value using a market-based discount rate. Accretion of the discount in subsequent years is also recorded as donated revenue. Substantially all of the Library's pledges are from major corporations or donors. In the past, the Library has collected all pledges in full, therefore, no allowance for uncollectible pledges has been established.

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K. Inventory

The Library's inventories are primarily comprised of bibliographic products, unissued supplies and unused postage that will be consumed in future operations, materials used to reproduce printed materials, sound recordings for both internal and external sales, and sales shop merchandise for resale. Consumable operating supplies are valued at cost using a first-in first-out method of valuation. Sales shop merchandise is valued at cost or market, whichever is lower. The recorded values of inventory and operating materials and supplies are adjusted for the results of periodic physical counts.

L. Property and Equipment

For fiscal years prior to 1998, the Library capitalized furniture and equipment at cost if the initial acquisition cost was \$10,000 or more. Starting in fiscal year 1998, the Library capitalizes furniture and equipment at cost if the initial acquisition cost is \$25,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives.

The largest category of equipment is for the National Library Service for the Blind and Physically Handicapped lending program which is classified as equipment on loan to the public in Note 8. The Library purchases this unique, specially designed equipment from the manufacturer in large lots with a high bulk value. For financial reporting purposes, the machines are grouped by the aggregate amount purchased and shipped to machine lending agencies during a fiscal year. Each fiscal year group is then accounted for over the estimated useful life of the assets in the aggregate. The value of the equipment does not include any freight or postage costs. These shipping costs are included under the U.S. Postal Service's "free matter for the blind and physically handicapped." The value of this service has not been determined.

Operating equipment is amortized over a 3 to 20 year period. ADP software is software purchased from

outside vendors with an estimated useful life of three years or more and a value of at least \$10,000 per item acquired in fiscal years 1997 and prior or at least \$100,000 per item acquired in fiscal years after 1998.

Leased equipment meeting the criteria for capitalization in accordance with Statements of Federal Accounting Standards is included in property and equipment.

The Library occasionally acquires property and equipment by direct gift or by purchase from funds donated for a specific purpose or project. Because property is generally not restricted for use to gift and trust activities, property accounts are not maintained in the gift and trust funds. Capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and trust funds and transferred to the Library's appropriated fund. The Library records the donated property and equipment at its fair market value at the time of the gift.

Land and buildings are excluded from the Library's property and equipment accounts because they are under the custody and control of the Architect of the Capitol. This arrangement encompasses four Capitol Hill buildings (the Thomas Jefferson, James Madison, John Adams Buildings, and the Special Facilities Center) and a secondary storage facility at Fort Meade, Maryland. Costs associated with the acquisition and maintenance of these buildings are accounted for by the Architect. However, in accordance with SFFAS No. 4, "Managerial Cost Accounting Standards," a current year expense of \$30.1 million and \$25.6 million was recorded for the acquisition and maintenance of these buildings for fiscal years 2000 and 1999, respectively, and was offset by an imputed financing source, which represents the amount being financed by the Architect. In fiscal years 2000 and 1999, the Architect received appropriations totaling \$16.0 million and \$12.7 million, respectively, to fund the structural and mechanical care of these buildings. This appropriation is not reflected in the accompanying consolidated financial statements. The Library does capitalize and depreciate leasehold improvements to all of its facilities as long as the

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improvement was made using the Library's funding sources.

M. Library Collections

The Library's collections are classified as heritage assets, and their value is not presented on the financial statements. Stewardship information covering the acquisition, use, preservation, and security of the collections is contained in a supplementary Stewardship Report.

N. Liabilities

Liabilities represent the amounts- that are likely to be paid by the Library as a result of transactions that have already occurred. Liabilities for which an appropriation has not been enacted, or are the result of deposit account activities, are classified as liabilities not covered by budgetary resources. For accrued unfunded annual leave, compensatory time earned, workers' compensation and capital lease liabilities, it is not certain that appropriations will be enacted to fund these amounts.

Advances From Others are funds received for the reimbursable programs, the Photoduplication Service and the Cooperative Acquisitions Program that have not yet been earned.

Custodial and Deposit Liabilities are customer funds on deposit for Copyright and Cataloging Distribution Service products and services. This category also includes the custodial funds for Copyright royalties.

Accrued Annual and Compensatory Leave - The Library's basic leave policy is contained in Title 5, U.S.C.; the Uniform Annual and Sick Leave Regulations of the Office of Personnel Management; and the decisions of the Comptroller General. Generally, each

employee may carry forward a maximum of 240 hours of annual leave per calendar year. Accrued annual leave is accrued as it is earned and adjusted at the end of each fiscal year based on annual leave earned and taken. Annual leave earned in excess of the maximum permitted carryover is forfeited. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Employees' compensatory time earned but not taken is also accrued at year-end. An employee may accumulate a maximum of 40 hours of compensatory time during the fiscal year. A maximum of 20 hours may be carried forward from one leave year to the next only when it was earned during the last pay period of the leave year. Exceptions to the accumulation and carry forward rules require the approval of the Librarian or his/her designee.

Sick leave and other types of nonvested leave are expensed as taken.

Capital Lease Liabilities are liabilities resulting from capital leases of equipment.

0. Federal Employee Benefits

Approximately 50 and 52 percent of the Library's employees participate in the Civil Service Retirement System (CSRS) during fiscal years 2000 and 1999, respectively, to which the Library makes contributions equal to 8.5 percent of pay. A small number of employees under CSRS are also covered by Social Security (FICA) for which the Library's contribution is slightly less. An additional 46 and 45 percent of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2000 and 1999, respectively, to which the Library makes employer contributions equal to 10.7 percent of pay, in addition to matching employee Thrift Savings

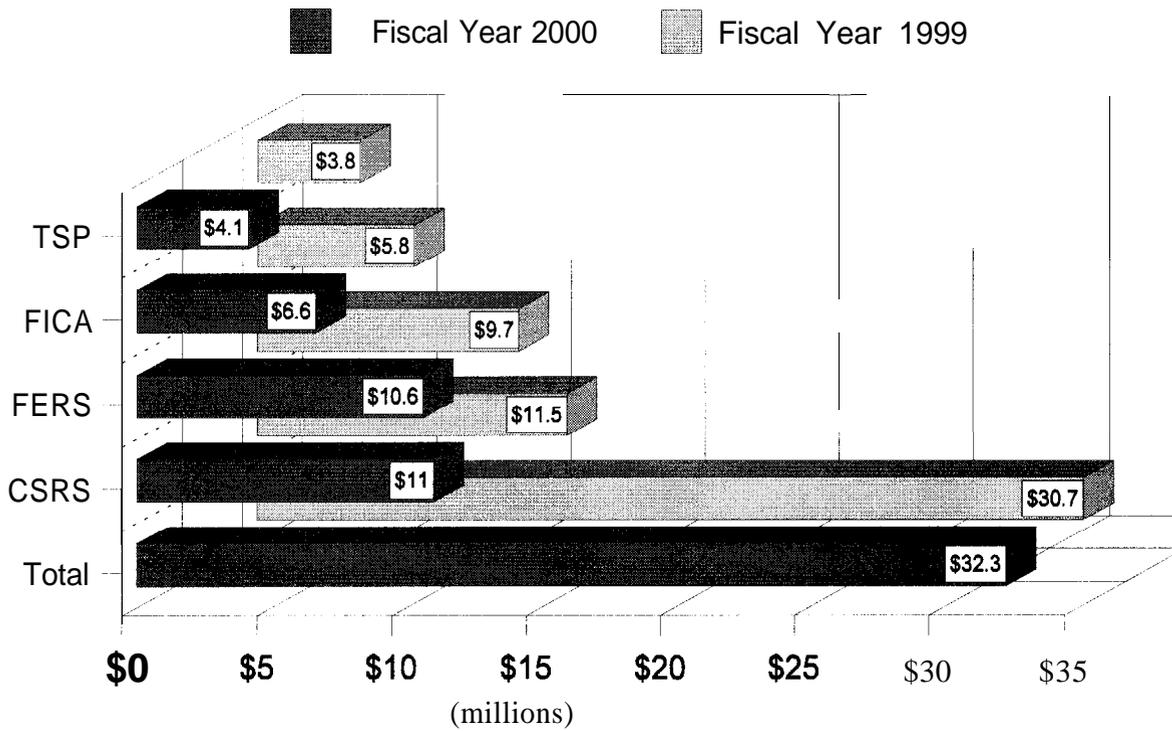
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Plan (TSP) contributions up to an additional 5 percent of pay. Under FERS, the employee is also covered by FICA to which the Library contributes the employer's matching share. The remaining 4 percent and 3 percent during fiscal year 2000 and 1999, respectively, of the Library employees were only covered by FICA to which

the Library contributes the employer's matching share.

The accrued amounts due for the contributions due at the end of the fiscal year are reported as liabilities covered by budgetary resources.

Contributions To Federal Employment Programs For Fiscal Years 2000 and 1999



The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension

liability of Social Security, FERS and CSRS is not allocated to individual Federal departments and

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agencies. However, in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government," current year expenses of \$20.4 million and \$20.9 million were recorded for the service cost of the Library's employee retirement, health and life insurance benefits during fiscal years 2000 and 1999, respectively, and was offset by an imputed financing source, which represents the amount being financed directly by OPM.

P. Intragovernmental Activities

Inter-entity costs are costs of services provided by other Federal entities to the Library. When these costs are provided at no cost or at a reduced cost, the Library recognizes in its accounting records the full costs of the services it receives as an expense and as a corresponding financing source. These financial statements include unreimbursed inter-entity costs for the Architect of the Capitol, Office of Personnel Management and the Government Printing Office.

The financial activities of the Library interact with and depend on other federal government agencies. Thus, the Library's consolidated financial statements do not reflect all financial decisions and activities applicable to it as if it were a stand-alone entity.

1. The Library's consolidated financial statements are not intended to report the agency's share of the federal deficit or of public borrowings, including interest thereon.
2. The Library's program for the blind and physically handicapped participates in the U. S. Postal Service's "Matter for Blind and Other Handicapped Persons" program (39 U.S.C. 3403 - 3406). This Postal Service program receives an appropriation from Congress to provide free postage for qualifying organizations, programs, and individuals such as mail from war zones, letters from blind people to anyone, and organizations which

work for the blind. The Library's National Library Service for the Blind and Physically Handicapped uses this free matter program for mailing all books and equipment to its participating lending libraries and patrons.

3. Governmental Services:

a. The Library is authorized to provide to other federal libraries and agencies services such as automated library information and other data base retrieval services through data base vendors and in-house research studies. These services are provided on a cost reimbursement basis and are billed in advance of providing the services. At year-end the Library estimates the amount received in advance (Advances From Others - Intragovernmental) and the amount to be received for services provided (Accounts Receivable - Intragovernmental).

b. Three government agencies provide administrative services to the Library on a reimbursable basis:

- The Department of Agriculture's National Finance Center (NFC) processes the Library's personnel, payroll, and employee benefits accounting transactions. In fiscal years 2000 and 1999, the Library paid \$453,768 and \$469,856 for these services, respectively.
- The Library utilizes the services of the Department of State as documented by the International Cooperative Administrative Support Services (ICASS) system to support the Library's six overseas field offices

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The Library paid \$1,140,891 and \$956,855 for these support services in fiscal years 2000 and 1999, respectively.

- The General Services Administration (GSA) provides building and vehicle leasing services for the Library. (See Note 9B)

c. As noted under Note 1.L, the Architect of the Capitol provides the structural and mechanical care of the Library's Capitol Hill facilities and remote storage site at Fort Meade, Maryland.

Q. Related Party Organizations and Transactions

The Library lends support to several related organizations, projects, and programs from which it receives benefits in various forms. The following is a list of these organizations or programs:

1. Civilization Magazine - *Civilization*, a bimonthly magazine published under license from the Library by Civilization, L.L.C., a limited liability company based in Delaware, was launched in November, 1994. The original publisher was L.O.C. Associates, L.P., which sold their interest to Civilization, L.L.C., in January 1997. Under the licensing agreement, the Library may receive donations and must approve all promotional, editorial, and advertising material using the Library's name. In September, 2000, the publisher announced that the last issue would be the October/November, 2000 issue.

2. Telephone Pioneers of America - The Telephone Pioneers is a large industry-related organization that voluntarily repairs playback

machines for the blind and physically handicapped program. Approximately 1,500 Telephone Pioneers (AT&T retirees) and Elfuns (General Electric retirees) repair the cassette book machines and talking book machines. Their labor is valued at \$4.2 million per year.

3. Library of Congress Child Care Association (LCCCA) - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The Center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street, District of Columbia. The Center provides child care for Library employees and other federal and non-federal employees. Its operations, management, and employees are the responsibility of the LCCCA and not the Library. However, the Library and the Architect of the Capitol support the Center with equipment, free space, cleaning and maintenance of grounds and building, utilities, local telephone service, and security. The value of the services provided by the Library cannot be readily determined. The Library provides an official who is a non-voting representative on the Center's Board of Directors and who acts as a liaison with the Library.

4. The Archer M. Huntington Charitable Trust - This charitable trust was established in 1936 and is controlled and invested by the Bank of New York. The assets of the endowment are not a part of the Library of Congress Trust Fund Board and the Board's only control over its investment activities is through the Librarian of Congress' role as trustee. The trust is defined as a split-interest

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agreement with a fair value of assets of \$8,144,350 and \$6,874,129 at September 30, 2000 and 1999, respectively. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultantship to bring "distinguished men of letters . . ." to the Library. Currently, the income assists in the funding of a "poet laureate" position. In fiscal years 2000 and 1999, the Library received \$146,605 and \$120,498 from the trust, respectively.

5. Ira and Leonore Gershwin Trust Fund and Related Charitable Trust - Under the will of Mrs. Leonore Gershwin, the Library of Congress Trust Fund Board is the beneficiary of 37.5 percent of Mrs. Gershwin's "1987 Trust." The will established the "Library Charitable Trust" which was accepted by the Library of Congress Trust Fund Board in January 1992. The primary purpose of the Trust is to perpetuate the name and works of George and Ira Gershwin through all resources of the Library. The Charitable Trust does not belong to the Library but is a separate entity administered by trustees. The net income of the Charitable Trust is distributed to the Library's Ira and Leonore Gershwin Trust Fund monthly or in installments after the Library submits project requests. Income is recorded by the Library in the period received. The balance of principal of the Charitable Trust will be distributed to the Library in 2033, fifty years after the date of death of Ira Gershwin. The Library received 339,872 and \$771,089 in goods, services and direct contributions from the trust during fiscal year 2000 and 1999, respectively.

6. "Friends" Organizations - Three organizations lend support to Library programs through gifts of money and other property but are incorporated as independent entities under the Internal Revenue Service Code, Section 501 (c)(3).

a. Millennium Foundation, Inc. - The Foundation operates for charitable, educational and literary purposes solely to benefit, support, and carry out the purposes of the Library. The Library allows the Foundation to use its name in connection with the performance of activities approved by the Library. This right exists only so long as the Foundation is engaged in activities that directly or indirectly support the mission and objectives of the Library.

b. Friends of the Law Library - This national non-profit organization supports educational programs, outreach, research, and the acquisition of rare materials and other activities of the Law Library not covered by federal appropriations.

c. Friends of Libraries for the Blind - The non-profit organization's purpose is to heighten awareness and visibility of national library services for blind and physically handicapped individuals in the United States and Canada and assist and promote library services, provide cultural enrichment programs and create and issue periodic communications on topics related to blind and physically handicapped individuals.

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2 *Fund Balance With Treasury*

Fund balance with Treasury at September 30, 2000, is summarized as follows:

	2000	1999
1. ENTITY		
Appropriated Funds	\$108,894,727	\$97,999,730
Reimbursable Funds	47,739,785	44,631,363
Gift and Trust Funds	13,173,831	12,558,537
Revolving Funds	6,747,422	8,429,635
Total Entity	\$176,555,765	\$163,619,265
2. NON-ENTITY		
Custodial Funds	\$90,807	\$140,737

(1) At September 30, 2000 and 1999, the gift and trust fund balance with Treasury included \$10 million invested in the permanent loan at interest rates of 5.6 percent and 6 percent, respectively.

3 *Cash and Other Monetary*

Cash and Other Monetary Assets consists of the following:

	2000	1999
Entity:		
Cash On Hand:	\$689,394	\$1,557,984
Imprest Funds	46,057	45,057
Deposits In Transit	244,325	122,427
Total Entity	\$979,776	\$1,725,468
Non Entity:		
Custodial Funds	\$0	\$16,779

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4 *Custodial Funds*

The Library of Congress Copyright Office Licensing Division administers the compulsory and statutory licenses covered by the Copyright Act (17 U.S.C.). The Licensing Division receives royalty fees from the cable television operators for retransmitting television and radio broadcasts, from satellite carriers for retransmitting “superstation” and network signals, and from importers and manufacturers for distributing digital audio recording products (DART). Refunds may arise when a cable, satellite, or DART remitter inadvertently overpays or is otherwise entitled to a refund. The Licensing Division invests the licensing royalty fees in market-based U.S. Treasury notes and bills. Because these investments are held in a custodial capacity for the copyright owners, income does not accrue to the Library’s benefit.

If disputes arise regarding the disposition of the royalties, the Librarian convenes a Copyright Arbitration Royalty Panel. The panel consists of three arbitrators selected from a list of professional arbitrators nominated by professional arbitration associations. The Librarian, upon the recommendation of the Register of Copyrights, selects two of the three arbitrators who, in turn, select the third arbitrator. This individual serves as the chairperson of the panel.

The Librarian reviews the panel’s decisions and has 90 days to adopt or reject the panel’s decision. Decisions may be appealed to the United States Court of Appeals for the District of Columbia Circuit.

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5 *Investments, Net*

Investments at September 30, 2000 and 1999 are as follows:

	2000			1999		
	A. Intragovernmental Investments Non-Marketable, Market-Based	B. Other Investments Private Sector	Total	A. Intragovernmental Investments Non-Marketable, Market-Based	B. Other Investments Private Sector	Total
Face Value	\$650,161,000		\$650,161,000	\$811,005,000		\$811,005,000
Cost		23,722,740	23,722,740		\$17,731,283	17,731,283
Unamortized Premium	448,490		448,490	867,236		867,236
Unrealized Discount	2,198,574		2,198,574	2,531,046		2,531,046
Interest Receivable	785,503		785,503	1,002,656		1,002,656
Investments, Net	649,196,419	23,722,740	672,919,159	810,343,843	17,731,283	828,075,129
Market Value	\$648,347,301	\$26,368,508	\$674,715,809	\$808,348,930	\$18,879,646	\$827,228,576

A. Intragovernmental Investments

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Trust fund investment maturity dates for fiscal years 2000 and 1999 range from October 2, 2000 to February 15, 2005 and October 7, 1999 to February 15, 2003, respectively, and interest rates for the same fiscal year ranges from 5.7 percent to 10.8 percent and 4.4 percent to 8.9 percent, respectively.

Custodial funds investment maturity dates for fiscal years 2000 and 1999, range from October 12, 2000 to August 31, 2001 and October 14, 1999 to August 31, 2000, and interest rates for the same fiscal years range

from 4.9 percent to 6.0 percent and 4.4 percent to 6.9 percent, respectively.

B. Other Investments

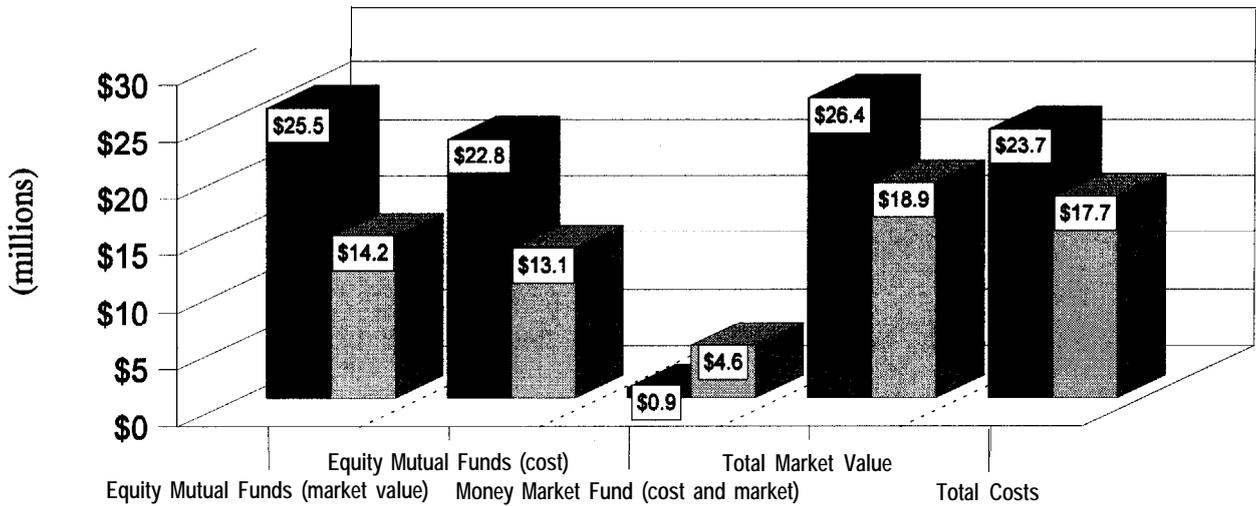
Other investments are the Library's investments in private sector money market and mutual funds. Cost was derived from the investments made plus reinvested gains, dividends, and interest.

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Balances at September 30, 2000 and 1999, are as follows:

Non-Treasury Investments

Fiscal Year 2000
 Fiscal Year 1999



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6 Receivables

A. Accounts Receivable

The breakdown of consolidated gross and net accounts receivable at September 30, 2000 and 1999, are as follows:

	2000	1999
Entity		
Intragovernmental		
Accounts Receivable, Gross	\$8,831,567	\$4,359,014
Allowance for Doubtful Accounts		
Accounts Receivable, Net	8,831,567	4,359,014
Other		
Accounts Receivable, Gross	311,006	385,897
Allowance for Doubtful Accounts	38,876	4,012
Accounts Receivable, Net	272,130	381,885
Non-Entity		
Intragovernmental		
Accounts Receivable, Gross	3,838	7,198
Allowance for Doubtful Accounts		
Accounts Receivable, Net	3,838	7,198
Other		
Accounts Receivable, Gross	1,437	20,266
Allowance for Doubtful Accounts	23	
Accounts Receivable, Net	1,414	20,266

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B. Pledges Receivable

At September 30, 2000 and 1999, the Library had unconditional pledges of contributions totaling \$73.3 million and \$15.2 million, which were discounted

through fiscal years 2005 and 2004 at a market discount rate and included in the statement of financial position at their discounted value of \$71.7 million and \$13.5 million, respectively.

The amounts due in future years, at September 30, at their current discounted value are:

Fiscal Year	2000	1999
2000	\$0	\$6,049,275
2001	65,362,467	3,067,583
2002	3,326,417	2,025,772
2003	1,694,906	1,121,666
2004	924,846	1,209,330
2005	385,941	0
Total	\$71,694,577	\$13,473,626

(1) The significant increase in pledges receivable is the result of a \$60 million gift (of which \$57 million is pledges pending) from John W. Kluge, chairman of the Library's private-sector support group, the James Madison Council.

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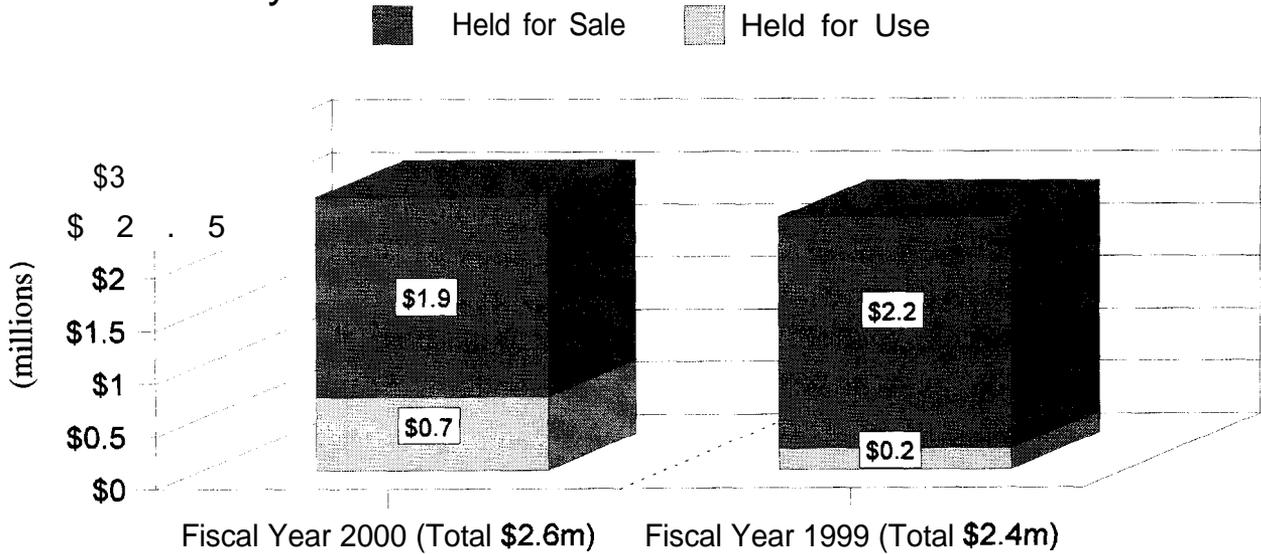
7 *Inventory*

The Library's inventory is primarily comprised of bibliographic products, unissued supplies and unused postage that will be consumed in future operations,

materials used to reproduce printed materials, sound recordings for both internal and external sales, and sales shop merchandise for resale.

The following table shows inventory held for use and held for sale at September 30, 2000 and 1999:

Inventory Classification for Fiscal Years 2000 and 1999



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8 Property and Equipment

Property and equipment accounts are maintained in three categories of funds: Appropriated, Reimbursable and Revolving. The appropriated fund category includes all property and equipment used by the Library for general operations. Property and equipment purchased by FEDLINK, the Federal Research Division and the

Integrated Support Services Administrative Working Fund are recorded in the reimbursable fund. Property and equipment purchased by Photoduplication Services and the Recording Laboratory are recorded in the revolving fund.

The following table shows property and equipment, combined for the three categories, which were capitalized at September 30, 2000 and September 30, 1999.

Classes of Property and Equipment	2000			1999		
	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value
Operating equipment	\$44,676,874	34,860,703	9,816,171	\$44,353,476	\$35,972,800	\$8,380,676
ADP software	5,300,464	3,368,951	1,931,513	5,103,802	2,727,081	2,376,721
Furniture & Furnishings	959,808	271,683	688,125	959,808	223,692	736,116
Capital Leases	10,122,381	4,226,759	5,895,622	11,076,933	1,321,604	9,755,329
Leasehold Improvements	10,115,800	6,976,738	3,139,062	9,902,047	6,158,220	3,743,827
NLS/BPH Equipment - loan to public	88,773,663	49,656,499	39,117,164	88,293,488	50,140,274	38,153,214
Total	\$159,948,990	\$99,361,333	\$60,587,657	\$159,689,554	\$96,543,671	\$63,145,883

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9 Leases

A. Capital Leases

The Library has capitalized leases for machinery and equipment at a net book value of \$5,895,622 and \$9,755,329 as of September 30, 2000 and 1999, respectively.

The lease agreements are annual fiscal year contracts that are subject to the availability of funding. The agreements contain a lease to purchase provision and there is no penalty for discontinuing the lease and

turning back equipment prior to the completion of the agreement. During fiscal year 1999, the Library entered into a three year incremental funding agreement with the General Services Administration for the purchase of computer data storage equipment. The payments for this incremental funding agreement are not evenly distributed over the term of the agreement and are accrued based on available funding, as long as the minimum payment is made by the end of the fiscal year. Estimated future minimum lease payments are as follows:

Fiscal Year Ended September 30	2000	1999
2000		\$1,363,432
2001	\$486,942	4,376,821
2002	153,405	153,405
2003	111,038	111,038
2004	27,759	27,760
2005	0	0
Total Future Lease Payments	779,144	6,032,457
Less: Imputed Interest	52,273	92,612
Net Capital Lease Liability	\$726,871	\$5,939,845

B. Operating Leases

The Library leases office space and vehicles from the General Services Administration and has entered into other operating leases for various types of equipment. Additionally, the Library's overseas field offices lease

operating space from the Department of State. Lease costs for office space, vehicles and equipment for fiscal year 2000 and 1999 amounted to \$2,497,288 and \$3,575,486, respectively. Estimated future minimum lease payments through fiscal year 2005 are as follow:

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Fiscal Year Ended September 30	2000	1999
2000	\$0	\$3,291,086
2001	2,302,240	1,012,226
2002	195,228	117,646
2003	83,325	13,935
2004	31,154	13,935
2005	13,935	0
Total Estimated Future Lease Payments	\$2,625,882	\$4,448,828

10 *Workers' Compensation*

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Library employees under FECA are administered by the Department of Labor (DOL) and later billed to the Library.

The Library accrued \$1,898,963 and \$1,954,723 of unbilled or unpaid workers' compensation costs as of September 30, 2000 and 1999, respectively, and established an estimated **unfunded** liability for future costs based on historical claims rates. The estimated future unfunded liability is \$9,587,970 and \$9,611,260 as of September 30, 2000 and 1999, respectively, and is based on a ten year projection.

11 *Contingent Liabilities*

Several claims relating to employment matters are outstanding against the Library. While management cannot predict the outcome of the claims and is unable to estimate the potential loss, the maximum loss under each claim may not exceed \$300,000 in compensatory

damages, plus any equitable relief (back pay, front pay, attorney's fees). Under law, any claims settled internally would be paid from the Library's funds and any claims defended in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

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12 *Other Liabilities*

Other Liabilities as of September 30, 2000 and 1999 are comprised of the following:

	2000 Current	1999 Current
A. Other Liabilities covered by budgetary resources:		
Deferred Credits	\$3,398,408	\$284,632
B. Other Liabilities not covered by budgetary resources:		
Accounts Payable	46,013	
Liability with Treasury - Cash in Safe	9,822	
Custodial Liability	5,273	31,937
Totals	\$3,459,516	\$316,569

13 *Unexpended Appropriations*

The components of unexpended appropriations at September 30, 2000 and 1999 are as follows:

	2000	1999
Undelivered Orders	\$61,917,724	\$51,563,856
Unobligated		
(a) Available	8,767,016	11,695,454
(b) Unavailable	8,005,449	7,423,860
Total Unexpended Appropriations	\$78,690,189	\$70,683,170

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Unexpended appropriations consist of unobligated balances and undelivered orders. Unobligated balances represent amounts appropriated which are unobligated and have not lapsed, been rescinded, or withdrawn.

Undelivered orders represent obligations the Library had incurred as of September 30, 2000 and 1999, for goods and services which were ordered but had not been received by that date.

14 *Eliminations*

A. Balance Sheet

	2000	1999
	Eliminations	Eliminations
Assets:		
Entity: Intragovernmental		
Accounts Receivable	\$1,700,064	\$680,938
Other Assets	191,274	1,168,671
Total Eliminations	\$1,891,338	\$1,849,609
Liabilities covered by budgetary resources:		
Intragovernmental		
Accounts Payable	\$1,699,254	\$680,938
Advances from Others	192,084	1,168,671
Total Eliminations	\$1,891,338	\$1,849,609

The elimination amounts in this note have been excluded from the corresponding line amounts on the consolidated statements.

THE LIBRARY OF CONGRESS
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B. Net Costs

	2000	1999
	Eliminations	Eliminations
Program Costs:		
Library Services	\$5,159,958	\$4,477,534
Law Library	159,178	19,545
Copyright Office	4,040,016	799,933
Congressional Research Service	1,232,367	940,431
National Library Service for the Blind and Physically Handicapped	88,897	103,834
Reimbursable Funds	988,950	1,134,316
Revolving Funds	473,477	481,932
Total Eliminations	\$12,142,843	\$7,957,525
Earned Revenue:		
Library Services		\$785
Copyright Office	\$3,309,829	
Reimbursable Funds	6,345,636	5,543,000
Revolving Funds	2,487,378	2,413,740
Total Eliminations	\$12,142,843	\$7,957,525

The elimination amounts in this note have been excluded from the corresponding line amounts on the consolidated statements.

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15 *Program Costs by Budget Object Classification*

Consolidated	2000	1999
Personnel Services and Benefits	\$317,498,547	\$302,171,520
Travel and Transportation	3,101,389	2,607,230
Rental, Communication and Utilities	8,826,422	8,660,729
Printing and Reproduction	4,605,069	4,456,378
Contractual Services	112,040,901	84,649,625
Supplies and Materials	8,600,645	8,979,852
Library Materials	61,328,370	58,322,974
Non-Capitalizable Equipment	10,970,926	14,516,942
Depreciation and Amortization	23,433,749	26,938,353
Grants, Subsidies and Contracts	4,964,641	2,048,958
Other Program Costs	1,009,151	19,788
Total Program Costs	\$556,379,810	\$513,372,349

The Library's collections are classified as heritage assets, and \$14,812,347 and \$13,850,493 of the amount designated as "Library Materials" above represents the fiscal years 2000 and 1999 cost incurred by the Library for heritage assets.

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16 *Program Costs and Earned Revenue by Functional Classification*

Program Costs by Functional Classification - Consolidated

Function Classification	2000	1999
International Affairs		
Commerce and Housing Credit	\$51,582,026	\$47,839,034
Education, Training, Employment and Social Services	407,924,460	369,974,388
General Government	96,857,032	95,558,892
Income Security	16,292	
Other		35
Total	\$556,379,810	\$513,372,349

Earned Revenue by Functional Classification - Consolidated

Function Classification	2000	1999
Commerce and Housing Credit	\$25,296,431	\$18,252,272
Education, Training, Employment and Social Services	63,821,338	58,997,432
General Government	17,645	16,855
Total	\$89,135,414	\$77,266,559

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17 *Exchange Revenues*

In accordance with Library of Congress Regulation (LCR) 1510 Financial Services, the Library must comply with any OMB circular or bulletin if it is specifically prescribed in an (1) LCR, (2) FSD Directive, or (3) if required by law. OMB Circular No. A-25, User Charges, does not fall into any of these three categories, but may be used by the Library as a useful point of reference. Circular No. A-25 requires that user charges be sufficient to recover the full costs to the Federal Government. Full costs includes all direct and indirect costs to any part of the Federal Government of providing the good or service, including unreimbursed inter-entitly costs.

The Copyright Office's registration operations have legislatively mandated fees, which do not require the

recovery of the full costs of operations. The Register is authorized to fix fees at a level not more than necessary to recover reasonable costs incurred for services plus a reasonable adjustment for **inflation**. Fees should also be fair and equitable and give due consideration to the objectives of the copyright system.

If the Library were to increase fees and prices to recover full costs to the government of providing these goods and services, this would in some cases reduce the quantity of goods and services demanded. It is not practicable to provide reasonable estimates regarding (1) revenue foregone from charging fees that do not recover full costs to the government and (2) to what extent the quantity of goods and services demanded would change as a result of changes in prices and fees.

18 *Classification of Program Costs*

Fiscal year 2000	Intragovernmental		Public (Production)	Total
	Production	Non-Production		
Library Services	\$59,953,721	\$18,523	\$209,995,936	\$269,968,180
Law Library	4,780,713	701	10,843,538	15,624,951
Copyright Office	14,114,114	12,328	37,797,831	51,924,273
Congressional Research Service	22,831,843	11,186	74,989,397	97,832,426
National Library Service for the Blind and Physically Handicapped	3,399,429	1,372	42,220,114	45,620,915
Reimbursable Funds	2,751,575	7,169	56,594,952	59,353,696
Revolving Funds	3,751,458		12,303,911	16,055,369
Costs not Assigned to Programs				

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Fiscal year 1999	Intragovernmental		Public (Production)	Total
	Production	Non-Production		
Library Services	\$59,754,185	\$123,703	\$179,168,539	\$239,046,427
Law Library	4,132,700	2,203	10,427,628	14,562,531
Copyright Office	13,131,169	10,726	34,897,426	48,039,321
Congressional Research Service	21,329,115	13,392	74,612,301	96,017,808
National Library Service for the Blind and Physically Handicapped	3,966,754	2,763	42,428,185	46,397,702
Reimbursable Funds	4,811,453	784	48,849,300	53,661,537
Revolving Funds	4,470,796	16,149	11,160,043	15,646,988
Costs not Assigned to Programs			35	35

19 *Imputed Financing*

In accordance with SFFAS No. 4, "Managerial Cost Accounting Standards", the Library has recorded expenses for the unreimbursed full costs of goods and services that it receives from other Legislative Branch agencies (i.e., the Architect of the Capitol and the Government Printing Office) and Executive Branch agencies specifically identified for fiscal years 2000 and 1999 reporting by the Office of Management and Budget (i.e., the Office of Personnel Management). Since these costs are not actually paid to the other agencies, an imputed financing source (revenue) is recorded to offset these costs.

The \$5 1.4 million and \$47.1 million of imputed financing for fiscal years 2000 and 1999, respectively, consists of \$30.1 million and \$25.6 million to offset the recorded costs of the Architect of the Capitol (Library buildings and grounds costs), \$0.7 million and \$0.6 million to offset the recorded costs of the Government Printing Office (exchange program costs) and \$20.4 million and \$20.9 million to offset the recorded costs of the Office of Personnel Management (staff benefits costs) for fiscal years 2000 and 1999, respectively. For fiscal year 2000, an additional \$0.2 million of imputed financing was recognized to offset the recorded costs of the Treasury Judgement Fund for settled legal claims.

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20 Unexpended Appropriations

The change in unexpended appropriations consists of the following:

	2000	1999
Treasury Warrants from Appropriations	\$385,946,000	\$363,640,000
Non-Expenditure Transfers from other agencies*	9,737,685	12,913,315
Other Miscellaneous Changes, Net		0
Canceled Authority	(3,642,338)	(4,380,271)
Rescissions	(1,592,390)	0
Appropriated Capital Used	(382,441,938)	(369,861,197)
Increase in Unexpended Appropriations	\$8,007,019	\$2,311,847

*\$10,000,000 from Agency for International Development and (\$262,315) from the U.S. Senate in fiscal year 2000
 \$9,262,315 from the U.S. Senate and \$3,651,000 from the U.S. Capitol Police in fiscal year 1999.

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2000 and 1999

21 *Budgetary Resources*

Budgetary Resources are classified as follows:

	2000			1999		
	Appropriated Capital	Non-Appropriated Capital	COMBINED	Appropriated Capital	Non-Appropriated Capital	COMBINED
Budgetary Resources:						
Budget Authority	\$395,683,685		\$395,683,685	\$376,553,115	(\$16,909)	\$376,536,206
Unobligated balances - beginning of period	19,049,629	\$827,052,438	846,102,067	17,062,685	754,462,025	771,524,710
Spending authority from offsetting collections	629,143	343,004,643	343,633,786	539,122	362,731,930	363,271,052
Adjustments, net	(3,655,889)	3,060,759	(595,130)	(3,215,195)	3,216,722	1,527
Total budgetary resources	\$411,706,568	\$1,173,117,840	\$1,584,824,408	\$390,939,727	\$1,120,393,728	\$1,511,333,495
Status of Budgetary Resources:						
Obligations incurred, new	\$394,931,660	\$505,416,701	\$900,348,361	\$371,890,098	\$293,341,331	\$665,231,429
Unobligated balance - available	8,767,015	652,965,282	661,732,297	11,695,454	812,948,974	824,644,428
Unobligated balance - not available	8,007,893	14,735,857	22,743,750	7,354,175	14,103,463	21,457,638
Total, status of budgetary resources	\$411,706,568	\$1,173,117,840	\$1,584,824,408	\$390,939,727	\$1,120,393,728	\$1,511,333,495
Outlays						
Obligations incurred	\$394,931,660	\$505,416,701	\$900,348,361	\$371,890,098	\$293,341,331	\$665,231,429
Less: spending authority from receipts and adjustments	2,207,983	347,183,959	349,391,942	1,704,018	366,870,847	368,574,865
Subtotal	392,723,677	158,232,742	550,956,419	370,186,080	(73,529,516)	296,656,564
Obligated balance, net - beginning of period	79,500,009	42,911,551	122,411,560	76,688,659	39,288,289	115,976,948
Less: obligated balance, net - end of period	92,170,861	41,446,158	133,617,019	79,500,009	42,911,551	122,411,560
Total outlays	\$380,052,825	\$159,698,135	\$539,750,960	\$367,374,730	(\$77,152,778)	\$290,221,952

(1) The net amount of budgetary resources obligated for undelivered orders, ending balance, is \$96,308,954 and \$86,468,162, which consists of \$61,042,638 and \$50,052,115 of appropriated funds and \$35,266,316 and \$36,416,047 of non-appropriated funds for the fiscal years 2000 and 1999, respectively.

(2) There were no material adjustments to the beginning balances of budgetary resources.

(3) For Trust Funds, approximately \$12.5 million and \$9.5 million of unobligated authority, at the donor's request, is restricted from being spent on program costs (income from investing restricted donations under the Library's Total Return Policy can be spent on program costs). These amounts are invested either in the permanent loan or in Treasury securities. An additional \$16.0 million and \$13.4 million of restricted authority has been obligated and expended to invest in non-treasury securities for the fiscal years 2000 and 1999, respectively.

(4) There has been no contributed capital received during fiscal year 2000 and fiscal year 1999.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2000 and 1999

22 *Schedule of Financing – Consolidated*

Obligations and Nonbudgetary Resources	2000	1999
Budgetary:		
Obligations incurred, new	\$900,348,361	\$665,231,429
Spending authority from offsetting collections and adjustments	(349,391,942)	(368,574,865)
Nonexchange revenue in the Budget	25,113,143	21,915,172
Exchange revenue collected for others in the budget	212,045,600	243,459,399
Net budgetary resources used to finance activities	788,115,162	562,031,135
Donations not in the budget	17,486,329	709,589
Financing imputed for cost subsidies	51,316,466	47,069,122
Transfers out, net	(512,171)	0
Net nonbudgetary resources used to fund net costs of operations	68340,624	0
Total obligations as adjusted and nonbudgetary resources	\$856,455,786	\$609,809,846
Resources That Do Not Fund Net Costs of Operations		
Increase in budgetary resources for undelivered orders	(\$9,578,238)	(\$3,619,703)
Increase in unfilled customer orders, excluding unearned refunds	3,991,748	7,254,238
Costs capitalized on the balance sheet	(33,816,269)	(27,699,892)
Refunds of nonexchange revenue and Copyright Licensing royalties	(374,624,105)	(177,713,338)
Total resources that do not fund net costs of operations	(\$414,026,864)	(\$201,778,695)
Costs That Do Not Require Resources		
Depreciation and amortization	\$23,433,749	\$26,938,353
Bad debt and public exchange receivables	55,321	(11,401)
Other costs	318,333	333,022
Total costs that do not require resources	\$23,807,403	\$27,259,974
Financing Sources Yet to be Provided		
Increases in unused annual leave and actuarial liability	\$1,008,071	\$814,665
Net cost of operations	\$467,244,396	\$436,105,790

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23 <i>Subsequent Events</i>

1. The Library operates 10 revolving gift funds that were created by gifts which donors designated to be used for self-sustaining activities. The General Accounting Office (GAO) believes that the Library has exceeded its authority by operating these revolving funds with gift monies which generate revenues exceeding the original gifts. As recommended by GAO, the Library has requested specific statutory authority to operate the gift revolving funds. An amended version of the Library's revolving fund legislation, which had been submitted to the Congress annually since 1991, was finally enacted into law when the "Library of Congress Fiscal Operations Improvement Act of 2000" was approved on November

9, 2000. The Act will be effective at the start of fiscal year 2002.

2. In January 2001, the Office of Compliance issued a report on Fire Safety Inspections that identified fire and life safety deficiencies in the Library's Capitol Hill facilities. Of the deficiencies cited, the Architect of the Capitol (AOC) is responsible for correcting approximately 75 percent of the deficiencies and the Library is responsible for the remainder. The Library is committed to correcting the problems identified and will work cooperatively with the AOC and the Congress to implement improvements as expeditiously as possible.

THE LIBRARY OF CONGRESS

STEWARDSHIP REPORT

HERITAGE ASSETS

September 30, 2000

Library Collections

The Library of Congress has the world's largest library collection comprising nearly 121 million items including research materials in over 450 languages and various media. The collections include more than 28 million books and other printed materials, 54 million manuscripts, 12 million photographs, 4 million maps, 4 million pieces of music, 2 million audio recordings, and 844 thousand motion pictures. The collection of incunabula (books printed before 1501) is the largest in the Western Hemisphere, and the collections of maps, atlases, newspapers, music, motion pictures, photographs, and microforms are probably the largest in the world. Other collections include drawings, posters, prints, technical reports and other printed materials; computer programs, videotapes and disks, talking books, and other audio and visual materials. Each work day the Library adds more than 10,000 items to its collections for use by the Congress and the nation.

The Library has the papers of 23 presidents of the United States as well as papers of people from many diverse arenas -- Susan B. Anthony, Sigmund Freud, Pamela and Averell Harriman, Henry Kissinger, Thurgood Marshall, Irving Berlin, and many others. The Library's treasures include one of three perfect copies in the world of the three-volume Gutenberg Bible printed on vellum, two of the five known copies of the Gettysburg Address, Thomas Jefferson's handwritten draft of the Declaration of Independence, and many other rare books and manuscripts, including the oldest example of printing in the world. Also, new treasures are added each year and the Bicentennial of the Library was notable for the generous gifts bestowed.

The 200 years of stewardship the Library of Congress has devoted to the country's intellectual patrimony was celebrated throughout this year as a theme in the institution's Bicentennial. The Presidential proclamation lauding the Library for the many contributions it has made strengthening our democracy and national culture, congressional resolutions saluting the staff, and international tributes all bespoke the unique role the Library serves in documenting and preserving as well as spawning new research and creativity through its collections.

Bicentennial Celebration

Bicentennial programs "**Gifts to the Nation**" and "**Local Legacies**" were rich sources of important works and regional representation of Americana or ethnic contribution to the American way of life that were added to the collection. Launched in 1998, the **Gifts to the Nation** program allowed the Library to acquire many significant items and collections, identified by the Library's curators that would enrich the collections. A special element of the **Gifts to the Nation** program was the effort to reconstruct Thomas Jefferson's personal library, the original nucleus of the Library's collections, which he sold to Congress after the British burned the U.S. Capitol (the former home of the Library of Congress) in 1814. Although two-thirds of Jefferson's Library was tragically lost in a second fire on Christmas eve 1851, the handwritten catalog survived. A generous gift of \$1 million provided the support for a global search, acquisition and preservation of the missing titles and editions of the landmark collection. As part of the Thomas Jefferson exhibition, the reconstituted library

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STEWARDSHIP REPORT

was on public display for the first time since its sale to Congress in 1815 in the original order devised by Jefferson.

The Madison Council made additional acquisitions possible:

- Collection of six manuscript maps drawn in the field for General Lafayette during the American Revolutionary War;
- Collection of more than 100 finely drawn 18th and 19th century manuscript maps and surveys of large tracts of land in New York State;
- Map of Kentucky, the first edition of the first map of Kentucky;
- Papers of Supreme Court Justice Harry A. Blackmun and federal judges Robert Bork and Frank M. Johnson; individual letters of presidents Thomas Jefferson and George Washington, Confederate general Thomas "Stonewall" Jackson, and congressman Ebenezer Sage.

The international component of **Gifts to the Nation** invited other nations to present a gift that expressed their nation's intellectual heritage. Eighty-three embassies presented over 1,200 items, many of which greatly enhanced the Library's value for researchers using the international collection. Among the international gifts were the following: Oorsprongk begin, en vervolg der Nederlansche oorlogen, an eight-volume 17th century history of the Netherlands; Corografia Portugueze e Discricam Topografica do Famoso Reyno de Portugal, in three-volumes (1706 - 1712), one of the first geographic descriptions of Portugal and genealogical listing of nobility and church hierarchy; and Gift of the Desert, a leather-bound volume of wildlife plates from Saudia Arabia.

The premier grassroots Bicentennial initiative was the

Local Legacies project. Working through their congressional representatives and with local organizations and groups, people from all walks of life documented America's cultural heritage at the turn of the millennium. **Local Legacies** teams documented the creative arts, crafts, and customs representing traditional community life; signature events such as festivals and parades; how communities observe local and national historical events; and the sites and occupations that define a community's life. Four thousand Americans participated by providing photographs, written reports, sound and video recordings, newspaper clippings, posters, and other materials as part of their projects. At year end, nearly one thousand projects were received and are now in the process of being preserved. Project descriptions and at least one image from each **Local Legacies** project are available on the Bicentennial web site.

Collections Policy

The collections are organized into two major categories: the print collections, which include classified books, serials, and pamphlets; and the special format collections, such as maps, motion pictures, music, manuscripts, photographs, sound recordings, and prints.

The Library's collections are universal and comprehensive in scope, building on Thomas Jefferson's concept that Congress's own interests are universal; however, the Library does not collect everything or accession everything it receives. The collection development policy has evolved over the years. In 1814, Jefferson offered to sell his personal library to the Library Committee of Congress in order to "recommence" the Congressional library after the British burned the U.S. Capitol destroying the Library of Congress. Jefferson stated: "I do not know that it contains any branch of science which Congress would wish to exclude from their collection; there is, in fact, no subject to which a Member of Congress may not have occasion to refer." In 1815, President James Madison approved an Act of Congress appropriating \$23,950 for the acquisition of Thomas Jefferson's library of 6,487 volumes.

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As set forth in the Library's Collections Policy Statements, the Library's collection development policies are designed to fulfill its responsibilities to serve (1) the Congress and United States Government as a whole, (2) the scholarly and library community, and (3) the general public. Written collection policy statements ensure that the Library makes every effort to possess all books and library materials necessary to the Congress and various offices of the United States Government to perform their duties; a comprehensive record, in all formats, documenting the life and achievement of the American people; and an universal collection of human knowledge (except clinical medicine and technical agriculture, which are the responsibilities of the National Library of Medicine and National Agricultural Library respectively) embodying primarily in print form the records of other societies, past and present.

In fiscal 2000, the Library implemented a Collection Policy Statement dealing with electronic or digital resources. The intellectual function of libraries— to acquire, arrange, and make accessible the creative works produced — has been transformed by the explosion in the production and dissemination of information in digital form, especially over global networks. All libraries are challenged by this transformation and no one best way of doing business, individually or collaboratively, has yet emerged. The Library of Congress, because of its size, its mission, and its international reputation for leadership faces daunting choices.

In 1998, the Librarian of Congress invited the National Academy of Sciences to review the status of information technology planning and implementation in the Library with a view to helping it handle the tensions attendant to working in both the analog and digital worlds, and helping it fulfill its mission.

The statement of task given to the Academy reads:

"Identify strategic directions for the application of information technology within the Library of Congress into the next decade. Assess the structure and system needs for the Library to pursue its stated missions, including the adequacy of plans for

modernizing and integrating those systems and the institutional and management structure for implementing the modernization. Examine systems and structures across the main components of the Library and for its major programs. Identify opportunities for interaction between the Library and other digital library initiatives, for the integration of electronic collections with existing analog materials, and for the preservation of library collections using digital technologies."

The Academy's report, delivered in July of 2000, emphasized its belief that the Library continues to play a vital role in documenting and preserving the history of American creativity and in building a collection with worldwide scope, and it contained a series of recommendations for the Library to consider if it is to be as successful in the future. The recommendations can be clustered into four broad areas: (1) inventing a new business model for acquiring and preserving digital material in all its forms, particularly information that is born digital; (2) learning from and working with the world of information professionals outside the Library's walls; (3) developing a management vision that will force and support transformative organizational change; and (4) investing in the technology base required as the bedrock foundation of such change.

Before the report was released to the Library, the Digital Futures Group, an internal interdivisional group of senior managers, prepared an integrated budget request looking at the technology base needs, the training and support required for the staff, and the increased level of front-line automation support an increased reliance on automation would demand.

On the collections side, the Library implemented one innovative cooperative agreement and signed another signaling the institution's serious intent to build digital collections that matched the scholarship of the paper-based collections. In implementing an agreement with Bell & Howell, the Library secured permanent access for staff and readers to the company's web site database of doctoral dissertations. The agreement binds the company with the responsibility of refreshing the database and access to it as technology changes, but the contract specifies that in the event the company can no

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longer maintain this database for the benefit of the Library of Congress, the Library has the right to take physical possession of it. The second agreement (signed in fiscal 2000) to be implemented in fiscal 2001, is with the American Physical Society. The terms of this cooperative agreement call for the Society to transfer to the Library a copy of its database, to keep that data as current as any of its proprietary sites, and in return the Library guarantees to safeguard the database. Through both of these cooperative agreements the Library has acquired access to significant research material, both retrospective and current. At year end, negotiations were being conducted with other publishers and vendors as the Library seeks to build its digital repository and make the most current research available in its reading rooms.

Anticipating the need for managing and securing digital collections, the Collections Security Oversight Committee's Subcommittee on Policy and Standards brought together the major stakeholders inside the institution and developed a security framework covering the repository and its network. At the end of the fiscal year, two review teams were established, one internal and one external. During fiscal 2001, the plan will be presented to the Executive Committee for adoption and implementation.

In December 1999, the Information Technology Service completed a more than two-year long project to ensure that the Library's computer systems would function properly at the turn of the century. Significant gains were made in safeguarding the Library's information systems resources, spurred on by a hacking incident on the Library's Thomas web site in January 2000. This incident prompted major increased security measures on all servers as well as a general increase in security awareness. A firewall was fully implemented and monitored to isolate the Library's private network servers from outside intrusion. A virtual private network was implemented to provide encrypted access to the Library's servers. Hardware and software were installed at the Senate Computer Center as a first step in implementing a disaster recovery site for the THOMAS and Legislative Information System applications.

The National Digital Library Program, Library Services, and the Information Technology Service initiated an effort to design and build a digital asset management system. During fiscal year 2000, a Repository Management Group selected six pilot projects, designed an administrative infrastructure for coordination of activities, and created a technical team to develop implementation specifications.

The ideal of a universal collection was aided greatly by the copyright law of 1870, which combined the registration and deposit functions in the Library of Congress and stipulated that two copies of every book, pamphlet, map, print, photograph, and piece of music registered for copyright in the United States be deposited in the Library. Copyright deposits are a major source of the Library's collections of Americana. In fiscal 2000, research materials obtained for the collections through copyright deposits totaled more than 750,000 items.

The Cataloging-in-Publication Program is the other principal source of U.S. published books that the Library acquires. A mainstay of U.S. library service for more than twenty-five years, the program provides cataloging data, based on pre-publication galleys, to participating publishers who include the data in their published books. As participants, these publishers are required to submit a copy of the published book to the Library. This copy is in addition to the two copies mandated under the copyright law. The Library also acquires U.S. publications through the Preassigned Card Number (PCN) Program. In fiscal 2000, the Library obtained 68,416 titles through the two programs. The Electronic-Cataloging-in-Publication (ECIP) Program grew to include 598 publishers and the National Library of Medicine joined the ECIP program sending its cataloging staff for training at the Library of Congress.

The Library also acquires materials by purchase, transfer from other federal agencies, gift, domestic and international exchange, or by provisions of state and federal law. Many of these materials are foreign publications. The Library maintains six overseas offices and has arrangements with book dealers, agents, and publishers to ensure efficient and prompt acquisition of

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current foreign publications of research value on a world-wide basis. The following are brief descriptions of the Library's International Exchange and Federal transfer programs:

Among 11,000 exchange agreements, the Library of Congress maintains nearly 100 "official" exchanges with major national and parliamentary libraries around the world. These exchanges were instituted and are overseen by the Library; however, the Government Printing Office has the responsibility to ensure that this select group of exchange partners receives U.S. Government publications. Pursuant to 44 U.S.C. 1719, the Superintendent of Documents distributes U.S. government publications "to those foreign governments which agree, as indicated by the Library of Congress, to send to the United States similar publications of their governments for delivery to the Library of Congress." The Government Printing Office pays for the cost of this program from funds appropriated for the Superintendent of Documents.

In fiscal 2000, the Library received approximately

249,854 items through its exchange relationships.

Pursuant to 36 C.F.R. 701.33, Federal libraries send their surplus materials to the Library for addition to its collections or to use in the exchange and surplus books programs. In fiscal 2000, the Library received 124,142 items from Federal agencies, and, although only a very small number were selected for the collections, several thousand were used in exchanges with other libraries for materials needed by the Library of Congress. Other Federal transfers were used in the Library's surplus books programs. The Library has been working closely with Federal agencies which are planning to transfer surplus materials. This early consultation ensures that the Library receives all materials appropriate for the permanent collections or useful in the exchange and surplus books program. Material not wanted by the Library can then be disposed of by the transferring institution.

The primary resources for recent acquisitions are as follows:

	1996	1997	1998	1999	2000
Annual Appropriations Authorized	\$ 8,458,000	\$ 8,458,000	\$ 9,619,000	\$10,119,000	\$10,321,000
Estimated Value of Copyright Deposits Transferred to the Library	\$20,157,816	\$25,183,884	\$26,991,776	\$36,435,429	\$32,308,047
Government Printing Office Appropriation (part of Superintendent of Documents) for International Exchange	\$ 509,000	\$ 537,000	\$ 444,000	\$ 527,000	\$687,000

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Acquisitions by source:

Source	Pieces 1996	Pieces 1997	Pieces 1998	Pieces 1999	Pieces 2000
Purchases:					
Appropriated - GENPAC/LAW	707,695	522,040	676,287	776,712	811,566
Appropriated Other	145,418	38,267	55,303	45,601	54,024
Special Foreign Currency	54,888	55,090	47,294	0	0
Gift and Trust Funds	4,830	3,499	3,028	4,076	8,090
Total Purchases	912,831	618,896	781,912	826,389	873,680
Non-Purchases:					
Exchange	321,446	310,849	313,224	288,538	249,854
Government Transfers	443,599	486,280	538,611	116,088	124,142
Gifts	2,608,494	1,116,626	1,577,561	1,709,712	965,364
Cataloging in Publication/PCN	49,083	82,301	72,283	79,046	68,416
Copyright Deposits	739,582	862,207	845,826	954,081	751,944
Total Non-Purchases	4,162,204	2,858,263	3,347,505	3,147,465	2,159,820
Total All Acquisitions	5,075,035	3,477,159	4,129,417	3,973,854	3,033,500

Note: Beginning in fiscal 1999, only those items acquired through Exchange or Government transfer that were added to the collections or used for Library programs were included in the statistics above.

Preservation of Library Collections

The Library's collections are preserved and protected through an extensive and diverse preservation program. The budget element for preservation of materials totaled \$12.3 million in fiscal year 2000. Preservation projects in process or under study are outlined below.

Binding and Collection Care -The Library negotiated the severance of a relationship which required that all work in negotiating and administering the Library's binding contracts be done through the Government Printing Office. Severance of the relationship not only provides a seven percent savings, but also provides a significant increase in efficiency in directly negotiating and awarding contracts through the Library's office of Contracts and Logistics and more efficient monitoring of

production goals and payments.

The Library's Binding Section served as a test site for the development of library-wide LC ILS-supported labeling activities. Following on earlier projects to improve tracking and security of materials, the project staff expedited the receipt, inspection, and delivery to appropriate Library units of over 110 polymer locking books trucks.

Preservation Research and Testing - Research projects completed during fiscal 2000 dealt with a wide range of materials including paper, pressure-sensitive labels, audio discs, magnetic tape and CDs. A new accelerated aging test for paper was developed that was not only proven to simulate the natural aging process, but also overcame deficiencies inherent in currently accepted

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accelerated aging test. The new test is appreciably less expensive to perform and takes less time and it has the support of the American Society for Testing and Materials (ASTM), and is likely to be accepted as one of its standard methods. Research was also done on the spontaneous formation of acids in paper and research continued on the aging of compact discs. A systematic chemical study of the residues observed on old acetate records was undertaken in order to develop an effective cleaning solution to replace environmentally unacceptable Freon solvents. A safe, water-based cleaning solution was devised that offered a more effective and convenient one-step cleaning solution at a much reduced cost.

Conservation - The first year of a research initiative to optimize collection storage environments was started with the Image Permanence Institute of the Rochester Institute of Technology. The three year project involves assessing collection storage conditions with the focus in the first year on the Manuscript Division and the Rare Book and Special Collections Division. The heating and ventilating systems were also assessed and monitored during this stage of the study.

Library staff worked closely with the Architect of the Capitol on the installation of a new cold storage vault at Landover. More than three million acetate negatives from the *Look* Magazine collection were transferred to the vault with storage conditions that are expected to extend their life more than 18 times over that possible under previous conditions. A close collaboration among conservators, curators, facilities staff and security personnel focused on improving storage for 350,000 nitrate flat film negatives and creating storage for a new acquisition of motion picture film.

Numerous collections received conservation treatment so they could be safely scanned by the National Digital Library. These included music scores by American composer Aaron Copland, the papers of writer Hannah Arent, the music archives of Edward MacDowell, American Broad-sides, books and papers pertaining to local history of the Chesapeake Bay region, manuscripts related to the exhibit - *I Do Solemnly Swear: Inaugurations from George Washington to William*

Jefferson Clinton, a range of materials related to *Pioneer Trails: Overland to Utah and the Pacific 1847 - 1869*, music manuscripts in the Moldenhauer Archives of Music Manuscripts, archives related to Emile Berliner and the Birth of the Record Industry and the photographs taken by Ansel Adams at the Manzanar internment camp.

A broad range of stabilizing treatments were applied to items and collection during fiscal 2000 following the 'fitness for purpose' concept which applied preservation solutions based on the type of use an item of the collection received or would receive. Chief among the approximately 300,000 items preserved this year were 700 volumes from the personal library of Thomas Jefferson that were conserved in advance of the Thomas Jefferson exhibit.

United States Newspaper Program (USNP) -The National Endowment for the Humanities (NEH) announced a grant to the United States Newspaper Program (USNP) totaling \$2.9 million in fiscal 2000 to fund projects in Arizona, California, Connecticut, Illinois, Michigan, New York, Tennessee, and Vermont. In addition, active projects continued in the District of Columbia, Florida, Maine, Nebraska, Oregon, South Dakota, and Texas. To date, NEH has provided over \$44 million to USNP projects, with an additional \$18 million contributed from state and private sources. The USNP Coordinator conducted site visits to projects in California, Illinois, Maine, Michigan, Oregon, Virginia, and Vermont during the fiscal year.

Deacidification of Printed Materials - One of the most serious preservation issues facing the Library of Congress, and all libraries, is the problem of brittle, deteriorating books caused by acid introduced during the paper manufacturing process. The problem started in the mid-1800s when acidic wood pulp was substituted for rags in the manufacture of paper. The Library and other libraries have inherited one and one-half centuries worth of acidic, degrading collections -- a backlog of decay that grows each year as additional acidic books are acquired, primarily from other countries where many publications are not yet printed on alkaline paper. The cost of allowing these at-risk materials to degrade

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and eventually be lost or to require very expensive reformatting is incalculable.

Since the 1970s, the Library has provided international leadership in solving the worldwide problem of deteriorating acidic paper. Following Congressional approval of a 1995-1996 initiative to enhance deacidification technology and a 1997 Library proposal to begin scaling up its mass deacidification program, Congress approved this year the Library's request to make mass deacidification a permanent preservation program activity. Continuing congressional support will make it possible to save millions of books and unbound paper-based Library materials that were at risk due to the acid degradation of paper.

The Library focused during the past year on selection for deacidification treatment of endangered volumes from collections central to the Library's mission and in great demand by scholars and public researchers, primarily books devoted to modern, family, and local history. Including nearly 50,000 volumes treated during fiscal year 2000 (exceeding the contract production goal by 50% through the use of no-year funds), the Library has now deacidified over 300,000 Library books.

Preservation of Audio/Video Materials - Work continued in Library preparing the collections for the move to the National Audio-Visual Conservation Center in Culpeper, Virginia which is expected to be completed and ready for occupancy in 2004. Growth projection for all the moving image collections were calculated; analysis of workflow requirements, storage, etc. were undertaken to provide guidance to the architects and engineers contracted to design and build the facility. Some of the work focused on the space, shelving and facilities at Suitland, Maryland and Landover, Maryland to prepare those facilities as support bases for processing and staging major moving image collections for the actual move.

National Film Preservation Board - As mandated by Public Law 104-285, the National Film Preservation Board advises the Librarian of Congress on (1) annual selection of "culturally, historically and aesthetically significant films" to the National Film Registry, and (2) ongoing implementation of the national film preservation plan. The Board also helps generate increased public awareness of the need for film preservation.

Preservation statistics for fiscal 2000 are as follow:

Treatment:	
Volumes treated	6,453
Unbound items treated, paper-based	13,606
Photographs (examined, treated, housed)	186
Commercial library binding, volumes	
Mass Deacidification, Volumes (3rd contract year)	178,593
	47,736
Housing/Rehousing:	
Protective boxes constructed	3,956
Items rehoused, paper-based	7,377
Copying/Reformatting:	
Preservation photocopying	302
Paper-based materials converted to microfilm, items	25,319
Audio materials converted to magnetic tape, titles	1,560

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Service

The Library of Congress is a public institution open to everyone over high school age, with limited exceptions. Its collections are available to users in numerous public reading rooms located in three Library buildings on Capitol Hill. The Library's first service priority is to the Congress; second, to other branches of the federal government; and third, to scholars, other libraries and the general public. The Library is not a lending library. Only members of the Congress and other statutory borrowers are authorized to remove materials from the Library. For selected other users, primarily other libraries, the Library is considered a "library of last resort," meaning that certain materials may be distributed through interlibrary loan only if the needed materials are not otherwise available in the United States.

To use Library collections, researchers identify the items they want through card and on-line catalogs, finding aids, and bibliographies. To request items, readers first register with photo-identification, and then may submit call slips to staff who retrieve the items from the secured collections storage areas and deliver them to the reader. In fiscal year 2000, the Library issued reader registration cards to 41,420 new on-site readers. The Loan Division is responsible for retrieving, packaging, and preparing loan charge records for materials that circulate outside the Library. In fiscal 2000, more than 29,000 items were loaned to Congressional borrowers and more than 140,000 items were circulated to other authorized borrowers.

Collections Security

Building on the fiscal year 1999 implementation of a new Integrated Library System (LC ILS) which provides the platform for future enhancements in collections security efforts, several procedural changes were initiated. All non-rare monographs are now bar-coded and linked to a specific holdings record at the

first stage of the acquisitions process. Both the bar-coding and the creation of a holdings record are enhancements provided by the LC ILS. The system will allow item-level tracking of collection items and facilitate collections inventory. The Library awarded a contract for the sheet shelflist holdings conversion, the first phase of a two-part project to bring holdings data from the 12 million card shelflist on-line; began developing a series of pilot programs to identify the most effective approach to converting the card shelflist holdings; and awarded a contract to convert the holdings data from the serials check-in manual files.

On August 21, 2000, the Library officially accepted the LC ILS system after extensive testing and 40 days of acceptable response time during production. This implementation is a historic milestone in collections security. The LC ILS provides a tool for improving the security of the Library's collections by correctly and individually representing the Library's heritage assets added to the collections before 1999; however, much work remains to be done to make this accurate inventory a reality. The Library began converting holdings records for its two largest manual files, the card shelflist and the serial check-in file. By the end of fiscal year 2000, approximately 11,000 records with holdings data were converted from the serial files, and 2,200 portfolios of approximately 1,000,000 entries were transferred from the sheet shelflist as a preparatory step for converting the holdings and location information for the main card shelflist. Staff also concluded a series of pilots designed to test the best methods of conducting an inventory, and a Request for Proposal was in preparation at year end.

Throughout the year, the Library continued to implement the security plan adopted in 1997. Previous editions of this Stewardship Report have indicated forcefully how important the implementation of the LC ILS was as a platform from which a collections inventory could be conducted. With the implementation completed successfully, the Library is proceeding to each of the next steps in preparation for an inventory, while it remains thoroughly cognizant

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that an inventory of a collection the size of the Library's will take years to conduct and significant additional resources to complete.

Specific actions taken include:

- ▶ Book theft detection targets were installed in 539,283 volumes in the general collections and incoming materials in the Copyright Office. Since 1992, targets have been installed in 7,108,505 collection items, or 60 percent of the general collections.
- ▶ Bar codes and item-level records needed to track materials during the process stream were installed in all new non-rare monographs received in the Acquisitions Directorate.

The Prints and Photographs Division implemented a pilot project utilizing the LC ILS circulation module for tracking items loaned from its collection for exhibits. This represented the first use of the LC ILS for internal tracking of rare, non-book collections. This successful implementation of item-level tracking eliminated three of the twelve high risk security factors identified in the division's 1998 risk assessment.

A joint proposal from the Smithsonian Institution and the Library of Congress American Folklife Center obtained a grant of \$800,000 to preserve and provide access to the historic sound recordings housed at the two institutions. The grant was part of the White House Millennium Council's "Save America's Treasures" program administered by the National Park Service. The two institutions have two years to raise matching funds, and fund-raising efforts are underway to identify both individual and corporate sponsors and donors.

The Library contracted for a series of random sampling studies of some of the collections in the Prints and Photographs Division. The results of these studies will be a baseline for inventory purposes. Plans were finalized for secure vaults for the Law Library, Geography and Map Division, Prints and

Photographs Division, and Music Division. Access was tightened to selected areas through the installation of card reader controls in the Prints and Photographs Division, Law Library, Manuscripts Division, and Serial and Government Publications Division. Sixty-one secure book carts and five safes were acquired for high risk collections in Library Services and the Copyright Office.

Special attention was focused on the Library's geographically separated facilities located in Maryland, including the Landover Center Annex, the Suitland Federal Center, and the planned Fort Meade collections storage facility. Upgrades to these facilities included: installation of improved closed-circuit television coverage to monitor the Landover facility's interior and exterior; planning and installation of interior and exterior alarm systems; new door and window protective measures in Suitland; planning of electronic and physical security controls for new collections storage facilities at Fort Meade, and working with local police and fire departments concerning emergency response procedures for all the facilities.

As part of the Legislative Branch-wide Security Enhancement Implementation Plan, the Library was authorized to expand the police force, to include 46 additional police officers and five administrative personnel. At year end, all the police officers had been hired, and three of the five administrative personnel were on board, which was ahead of the scheduled plan.

In December 1999, the Information Technology Service completed more than a two-year long project to ensure that the Library's computer systems would function properly at the turn of the century. Significant gains were made in safeguarding the Library's information systems resources, spurred on by a hacking incident on the Library's Thomas web site in January 2000. This incident prompted major increased security measures on all servers as well as a general increase in security awareness. A firewall was fully implemented and monitored to isolate the Library's private network servers from outside

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intrusion. A virtual private network was implemented to provide encrypted access to the Library's servers. Hardware and software were installed at the Senate Computer Center as a first step in implementing a disaster recovery site for the THOMAS and Legislative Information System applications.

Working through the Office of the Inspector General and the Collections Security Oversight Committee, the Library responded to General Accounting Office (GAO) open recommendations regarding collections security, with the result that GAO considers all recommendations from fiscal year 1995 audit to be closed.

Arrearage Reduction

An important priority of the Library is establishing bibliographic control over the collections to increase

their accessibility and, at the same time, their security. In 1989, an inventory of unprocessed materials determined the backlog (arrears) to be 39.7 million items. During the past nine years, the Library has put forth an extensive effort to reduce the cataloging arrears and bring all the collections under bibliographic control. At the beginning of fiscal 2000, the arrears, mostly in non-book formats, comprised 19.8 million items. The Library expected that the print arrears would grow during this fiscal year and so alerted the Congress because the implementation of the LC ILS was dependent on the expertise of many of the staff who normally work on arrears reduction. In fact, the growth in the print arrears was not as large as expected and was well within the target promised to the Congress.

Arrears statistics for fiscal 2000 are as follows:

Items in Arrears	1999	2000	Change	Percent Change
Print Materials	972,093	1,512,948	540,855	55.6
Special Materials	18,821,596	17,702,681	-1,118,915	(5.9)
Total	19,793,689	19,215,629	-578,060	(2.9)

Financial Reporting

The Library's collections are classified as stewardship property and are defined as heritage assets for financial reporting purposes. The Federal Accounting Standards Advisory Board (FASAB) standard on stewardship reporting requires that heritage assets be reported as required supplementary stewardship information (RSSI) accompanying the financial statements of the Federal Government and the component units of the Federal Government responsible for such assets.

The FASAB standard states that the costs of the stewardship-type resources shall be treated as expenses in the financial statements in the year the costs are

incurred. However, the costs and resultant resources are intended to provide long-term benefits to the public and should be included in stewardship reporting to highlight to the reader their long-term benefit nature and to demonstrate accountability over them. The standard states that heritage assets shall be quantified in terms of physical units (for example, number of items in collections or the number of national parks). No asset amount shall be shown on the balance sheet of the Federal financial statements for heritage assets.

The quantities of items in the Library's collections shown in the table that follows were taken from Library statistics collected on a regular basis and records that were accumulated over the years.

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Estimated Quantity of Each Category of Collection Materials at September 30, 2000:

Category of Collection	Beginning of Year Balance	Added During Year	Withdrawn During Year	End-of Year Total	Method of Acquisition and Withdrawal
Print Collections - Classified Books	18,024,002	282,930	753	18,306,179	Acquisitions: Copyright deposits, purchase, gifts, exchanges, cataloging-in-publication Withdrawals: exchange & gift of unwanted or duplicate copies; depreciation or depletion through use; disposals through GSA
Other Print Materials - includes books in large type, newspapers, pamphlets, technical reports, incunabula, serials, etc.	9,429,184	53,518	2,191	9,480,511	
Total Print Collections	27,453,186	336,448	2,944	27,786,690	

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Other Collections - includes audio materials, talking books, books in raised characters, manuscripts, maps, microforms, music, visual materials (moving images, posters, photographs, photocopies, prints & drawings, etc.), and machine readable materials	91,540,443	1,670,815	21,608	93,189,650	Acquisitions: Copyright deposits, purchase; exchange and gift Withdrawals: exchange & gift; depreciation or depletion through use; or disposals through GSA.
Total Collections	118,993,629	2,007,263	24,553	120,976,339	

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Additions to the Collections Items

Print Collections	Beginning	Added	Withdrawn	Total
Classified Book Collections:				
Class A (General Works)	423,414	2,215	0	425,629
Class B-BJ (Philosophy)	308,017	5,767	0	313,784
Class BL-BX (Religion)	673,180	11,337	0	684,517
Class C (History, Auxiliary Sciences)	253,501	3,527	0	257,028
Class D (History, Except American)	1,211,594	25,000	0	1,236,594
Class E (American History)	271,738	3,414	0	275,152
Class F (American History)	436,337	7,240	0	443,577
Class G (Geography, Anthropology)	424,408	10,290	333	434,365
Class H (Social Sciences)	2,766,962	41,326	0	2,808,288
Class J (Political Science)	790,662	8,148	0	798,810
Class K (Law)	2,201,193	35,829	407	2,236,615
Class L (Education)	510,845	6,162	0	517,007
Class M (Music)	627,896	8,065	13	635,948
Class N (Fine Arts)	495,441	9,375	0	504,816
Class P (Language and Literature)	2,413,741	43,606	0	2,457,347
Class Q (Science)	1,122,396	20,480	0	1,142,876
Class R (Medicine)	477,788	9,060	0	486,848
Class S (Agriculture)	421,314	5,293	0	426,607
Class T (Technology)	1,274,796	18,606	0	1,293,402
Class U (Military Science)	202,341	2,723	0	205,064
Class V (Naval Science)	105,312	761	0	106,073
Class Z (Bibliography)	611,126	4,706	0	615,832
Total Classified Book	18,024,002	282,930	753	18,306,179
Other Print Materials or Products:				
Books in large type	8,681	0	0	8,681
Books in raised characters	73,218	1,154	0	74,372
Incunabula	5,700	2	0	5,702
Minimal-level cataloging (monographs and serials)	576,994	16,080	0	593,074
Newspapers (bound)	30,570	140	0	30,710
Pamphlets	267,308	515	181	267,642
Technical reports	1,424,039	12,620	2,001	1,434,658
Other	7,042,674	23,007	9	7,065,672
Total Other Print Material	9,429,184	53,518	2,191	9,480,511
TOTAL PRINT COLLECTIONS	27,453,186	336,448	2,944	27,786,690

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Other Collections	Beginning	Added	Withdrawn	Total
Audio materials	2,396,808	102,372	5,844	2,493,336
Talking books	55,891	2,078	0	57,969
Manuscripts	53,120,327	1,023,417	0	54,143,744
Maps	4,523,049	53,726	14,508	4,562,267
Microforms	12,555,509	360,924	946	12,915,487
Music	4,206,449	27,785	0	4,234,234
Visual material:				
Moving images	821,527	22,801	0	844,328
Photographs (negative, prints, and slides)	12,059,343	56,863	0	12,116,206
Posters	85,216	775	0	85,991
Prints and drawings	405,708	8,604	0	414,312
Other (broadsides, photocopies, nonpictorial material, etc.)	1,258,647	3,613	0	1,262,260
Machine-readable material	51,969	7,857	310	59,516
TOTAL OTHER COLLECTIONS	91,540,443	1,670,815	21,608	93,189,650
TOTAL (items)	118,993,629	2,007,263	24,552	120,976,340

**THE LIBRARY OF CONGRESS
MANAGEMENT ASSERTION ON CONTROLS
FOR THE COLLECTIONS**

Fiscal Year Ended September 30, 2000

The purpose of this section is to assert management's opinion about the effectiveness of the Library of Congress' internal control structure for the collections.

Preamble -- the Mission of the Library of Congress

A major mission of the Library of Congress is to acquire, preserve, and make maximally accessible the intellectual and information heritage of the United States and, to the degree desirable, the world. The Library serves, in priority order: the Congress; other branches of the government; other libraries and archives; researchers; and the general public. It is custodian of nearly 121 million items, in over 450 languages and in the following formats: monographs and serials; manuscripts; prints, posters, and photographs; maps, atlases and globes; music manuscripts and scores; motion pictures, broadcasting and recorded sound; rare books; microforms; machine readable formats; and digital files. It makes these materials available to the Congress and other government entities through loans; to the research public in its reading rooms on Capitol Hill and through interlibrary loan; and to the general public through the National Digital Library and such outreach programs as exhibitions and performances, publications, videos, CDs, and tapes.

The Library of Congress, as the nation's library of last resort, has a special obligation to acquire comprehensively the creative and intellectual legacy of this nation; to secure and preserve those items for present and future generations; and to make these items as available as possible and prudent to its constituents, primarily the Congress, other branches of government, and the research community. Achieving and maintaining the proper balance among preservation, security, and access is a dynamic and challenging process, faced by all libraries and archives. The process is influenced by the changing demands of the users, the development of **technological** and other means for accessing, preserving, and securing collections, and the judgment of management about the equilibrium itself. Maintaining an equilibrium in the midst of change is in turn influenced by the financial and personnel resources the Library has, through appropriations and other sources, to invest in acquiring, preserving, securing, and serving the Heritage

Assets which comprise not only the Library's holdings, but in fact the official record of the history and creativity of the American people throughout its history.

The risks to the national collections are: not acquiring and organizing materials that are critical to the continued development of the research collections that meet the needs of the Congress and the research community; not preserving the collections from the physical degradation inherent in each of the various media the Library holds and from deterioration through use; and the theft, mutilation, or accidental loss of the items in the collection.

In the course of its two hundred-year history, the Library has provided outstanding service to the Congress and has over time added service to other constituencies -- the Executive and Judicial Branches, the library and academic communities of America, and the general public -- while continuing to make service to the Congress its first priority. With time the risks to the collections have increased -- for example, the introduction of wood pulp (i.e., highly acidic) paper in the mid-nineteenth century and a variety of unstable media in the twentieth (nitrate film stock, wax cylinders, audio tape, etc.) have presented the Library with a number of preservation challenges. In addition, as the Library has striven to serve a wider audience and as the collections have grown, the risk of theft, mutilation, and accidental damage through handling has become more serious. Though this problem has always been widely recognized and conscientiously addressed within the special format materials such as manuscripts and rare books, it was only in the 1990s that the Library took serious recognition of the extent to which the same problem afflicted the general collections (i.e., books and serials published after 1800).

And while the Library has, within the past one hundred years, built three special library buildings on Capitol Hill for storage and service of the collections and acquired space for special storage in Ohio, Pennsylvania, Virginia and Maryland, the physical plant has not kept pace with the growth of the collections and their demand for a controlled environment to slow inherent physical degradation. In order to ensure continued excellent service to the Congress and to document the history and creativity of the American people, the Library has been zealous in fulfilling its obligation to sustain a

comprehensive collection base, even, at times, when that accumulation of items for the collections might outstrip the Library's ability to preserve, secure, and gain bibliographical control of the collection in as timely fashion as the Library would have liked. While this has been a conscious decision on the part of management -- without acquiring appropriate collections as they become available, the Library has no chance of fulfilling its most fundamental mission to Congress and the nation -- the result has led to a cataloging backlog, inadequate storage, and insufficient security in some areas.

The Library of Congress recognizes these problems and has taken substantial steps to address them. It established the Preservation Directorate in 1967. It began an aggressive assault on the uncataloged backlog in 1991 when it launched its Arrearage Reduction effort. And in 1992, it took the unprecedented step of closing its book stacks to the general public altogether and to its own staff for all purposes not directly related to their duties; and began the systematic upgrading of security in all its reading rooms and installation of perimeter security of the collections. For almost a decade, the Library sought additional space and resources for secondary storage and film and audio preservation facilities. In December 1997, the Congress authorized the acquisition of space in Culpeper, Virginia owned by the Federal Reserve Bank of Richmond to be used as the National Audio-Visual Conservation Center. This center is projected to be sufficient to house all the Library's audio visual collections for the next 25 years. The Congress has approved the management development plan for the Center which enables full occupancy no later than 2005. Planning for off-site storage of other collections at Fort Meade, Maryland continues. The Library expects to start moving collections into the first storage module during fiscal year 2001.

MANAGEMENT ASSERTION

We confirm, to the best of our knowledge and belief, the following:

- 1) We are responsible for establishing and maintaining the internal control structure for the collections;
- 2) We have assessed the effectiveness of the Library of Congress' internal control structure over safeguarding of assets (collections) against unauthorized acquisition, use, or disposition, compliance with law and regulations, and financial reporting based

upon control criteria established. Those control criteria include: bibliographical controls, inventory controls, preservation controls, and physical security controls. Specific controls over items depend upon the individual format, demand for and conditions of use, and the value and risk assessment for that item.

Bibliographical controls include but are not limited to: cataloging, archival processing, and arrearage reduction.

Inventory controls include but are not limited to: item-level holdings records and bar-coding for non-rare monographs accessioned October 1999 or later; the automated circulation control system as implemented in the Integrated Library System (LC ILS); manual and automated shelf list and serial records; finding aids and other detailed item and/or collections descriptions; and registry of items lent for exhibition.

Preservation controls include but are not limited to: use of surrogates (digital, microform, service copies of audiovisual materials); collections care programs; disaster preparedness; Top Treasures security; de-acidification; conservation of individual items; preservation treatment of processed items; preservation research and testing programs to define actions for deacidification, storage, audio preservation; studies of longevity of new digital media, etc.; and special Congressionally-mandated preservation programs such as the National Film Preservation Board and American Television and Radio Archive.

Physical security controls include but are not limited to: perimeter security (e.g., theft detection devices); secured receiving and holding areas for materials not yet accessioned into the research collections, including the Copyright Office; secured in-process working and holding areas; storage areas closed to the public and all staff except those who require daily access in order to perform their jobs; reader

registration; security in reading rooms (cameras, police and guard patrols, etc.); caging of high-risk collections; and secured loan stations.

3) Providing access to our collections inevitably puts them at risk and could impair the Library's ability to serve the Congress and other users in the future. **However, the collections exist to be used, and management accepts the responsibility of mitigating risk to the collections at the same time it fulfills its mission of service to the Congress and the nation.** While we have aggressively addressed deficiencies in bibliographic, inventory, preservation, and security controls in the past fiscal year, our assessment of **internal** controls identified the following material weaknesses, which could adversely affect the Library's ability to meet its internal control objectives, and, as a result, we cannot provide reasonable assurance that the internal control structure over safeguarding the Heritage Assets against unauthorized acquisition, use, or 'disposition, was completely effective as of September 30, 2000, for all of the Library's collections. With the implementation of the LC ILS and the application of bar codes to all newly accessioned non-rare monographs beginning October 1999, the Library has taken a step toward partitioning its assertion. We cannot assert without qualification that the controls in place are adequate and appropriate to mitigate the risks for all the special collections, but we can assert that newly-acquired non-rare monographs (a major portion of the general collections of the Library) are under bibliographic, inventory (when it is circulated outside the Library), preservation and physical security controls. This represents a major advance in the security of the collections.

The Library has requested funding for an inventory of the general collections, a project that would take several years. That project, the process of comparing the book stock on the shelves to inventory records that are currently being converted to digital format, would establish a benchmark from which future security assessments could be measured.

Bibliographical controls: As of September 30, 2000, the Library had reduced the arrearage count to 19,215,629 items from the 1989 benchmark number of 39.7 million. During the year, newly acquired items were accessioned and cataloged using the LC ILS, while work on the arrearage continued. Fiscal year 2000 was the first year of having all library operations performed using the LC ILS, an implementation that required retraining all Library staff.

Inventory controls: Contracts were let and work begun on the conversion of the 12 million card shelflist of printed books and the conversion of the serials check-in file and holdings file. The conversion of both of these enormous files is a requisite step before a physical inventory could be commenced. New procedures for in-process materials were implemented to include the bar-coding of new receipts as one of the first processing steps, providing better security to the collections, and the capacity to do item-level tracking throughout all the remaining processing of the collections items.

preservation controls: The Library has inadequate temperature and humidity control in some collections storage areas; inadequate space for appropriate storage of collections materials; insufficient space for reformatting the acetate negative collection; and insufficient funds for reformatting. These conditions cannot be fully addressed with current funds and physical plant. The development of a collections storage facility at Fort Meade, Maryland is expected to remedy many of these difficulties for books and paper-based materials, and the acquisition of the National Audio-visual Conservation Center in Culpeper, Virginia is a major step in the preservation of film and other media.

Physical security controls: In fiscal year 2000, the Library sustained its

advances in collections security by continuing to implement actions outlined in the 1997 security plan, including the opening of a larger facility in the James Madison Building for reader registration, contracting for additional security monitors in reading rooms, and continuing the marking and tagging of library materials in the retrospective collections. The Library has also integrated its preservation, bibliographic, and inventory controls within the security planning framework developed for the 1997 security plan. An additional life-cycle element was added to the security plan to govern those collections items on exhibit in the Library's facilities or elsewhere on loan.

The Copyright Office is using laser engraving equipment to mark compact disks (both music and computer) and

audio and video cassettes to indicate Library of Congress ownership. Testing is being conducted on samples of these formats in order to assess the impact on the longevity of the material.

4) We have disclosed all significant deficiencies in the design or operation of the internal control structure that could adversely affect the Library's ability to meet the internal control objectives and have identified those we believe to be a material weakness.

5) We are committed to correcting the Library's fire and life safety deficiencies identified in the January, 2001 Office of Compliance report on Fire Safety Inspections and will work cooperatively with the AOC and the Congress to implement improvements as expeditiously as possible.



Donald L. Scott
Deputy Librarian of Congress



THE DEPUTY LIBRARIAN OF CONGRESS

March 15, 2001

Dear Mr. Byer:

Thank you for the opportunity to review and comment on your audit report of the Library of Congress' consolidated financial statements for fiscal years 2000 and 1999. The audit report makes many good recommendations, and the Library is taking steps to address these recommendations.

I am pleased that the audit report reflects the Library's continued progress in ensuring accountability of our resources and the progress that has been made during fiscal year 2000 in the area of collections security. For the fifth consecutive year, the Library has received an unqualified audit opinion on the consolidated financial statements.

We recognize that while substantial progress has been made there is still much work to be done, especially in the areas of computer security, business continuity planning and collections security. We look forward to the challenge and to working cooperatively with your firm and the Congress in continuing to improve the accountability of the Library's resources.

Sincerely,


Donald L. Scott
Deputy Librarian of Congress

Mr. Pat Byer
Partner
Clifton Gunderson L.L.P.
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Independent Auditor's Report

To the Inspector General
Library of Congress

We have audited the accompanying consolidated balance sheets of the Library of Congress (Library) as of September 30, 2000 and 1999, and the related consolidated statements of net cost, changes in net position, and combined statements of budgetary resources for the years then ended (collectively the Financial Statements). These Financial Statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these Financial Statements based on our audits.

We conducted our audits in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. These standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Financial Statements including the accompanying notes present fairly, in all material respects, the financial position of the Library of Congress as of September 30, 2000 and 1999, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U. S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 2, 2001 on our consideration of the Library's internal control over financial reporting, and our tests of its compliance with certain provisions of laws and regulations. These reports are an integral part of our audits performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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Our audits were made for the purpose of forming an opinion on the basic Financial Statements taken as a whole. The information contained in Management's Discussion and Analysis, the supplemental consolidating information, and the Required Supplementary Stewardship information is not a required part of the basic Financial Statements but is supplemental information required by OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*. This information contains a wide range of data, some of which is not directly related to the Financial Statements. We have applied certain limited procedures, which consisted principally of comparing this information for consistency with the Financial Statements and discussing the methods of measurement and presentation with Library officials. Such information has not been subjected to the auditing procedures applied in the audits of the basic Financial Statements, and, accordingly, we express no opinion on it.

Clifton Gunderson LLP

Calverton, Maryland
March 2, 2001



Independent Auditor's Report On Compliance With Laws and Regulations

To the Inspector General
The Library of Congress

We have audited the Financial Statements of the Library of Congress (Library) as of and for the years ended September 30, 2000 and 1999, and have issued our report thereon dated March 2, 2001. We conducted our audits in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of the Library is responsible for complying with laws and regulations applicable to the Library. As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Library.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph disclosed the following instances of noncompliance with certain laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02.

- During fiscal years 2000 and 1999 the Library operated ten revolving gift funds beyond the scope of its authority. The Library has transmitted draft legislation to the appropriate authorizing committees on a yearly basis since 1991 to address this issue. An amended version of the Library's revolving fund legislation was enacted into law when the "Library of Congress Fiscal Operations Improvement Act of 2000" was approved in November 2000. The Act will be effective at the start of fiscal year 2002 and the Library will then be in compliance.

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- During fiscal years 2000 and 1999, the Library was not in compliance with the “Congressional Accountability Act (CAA) of 1995.” In the CAA, Congress made its facilities and employees subject to the same safety laws that applied outside the legislative branch. In 1997, other provisions of the CAA applied fire safety standards to Congressional buildings, including the Library. The Office of Compliance conducted a yearlong fire safety investigation that culminated in a report issued in January 2001 that identified numerous safety hazards in the Library’s three Capitol Hill buildings.

The results of our tests of compliance disclosed no instances of noncompliance with other laws and regulations discussed in the preceding paragraph that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Library, the Library’s Office of the Inspector General and Congress, and is not intended to be and should not be used by anyone other than these specified parties. We caution that non-compliance may occur and not be detected by the tests performed and that such testing may not be sufficient for other purposes.

Clifton Gunderson LLP

Calverton, Maryland
March 2, 2001



Independent Auditor's Report On Internal Control

To the Inspector General
The Library of Congress

We have audited the Financial Statements of the Library of Congress (Library) as of and for the years ended September 30, 2000 and 1999 and have issued our report thereon dated March 2, 2001. We conducted our audits in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audits, we considered the Library's internal control over financial reporting (excluding safeguarding collection assets) by obtaining an understanding of the Library's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. As the Library is not subject to the requirements of the Federal Managers' Financial Integrity Act (31 U.S.C. 3512) (FMFIA), we did not test internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control. We issued our report dated March 2, 2001 on management's assertion about the effectiveness of internal controls over safeguarding collection assets.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that

misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. However, we noted certain matters discussed in the following paragraphs involving the internal control and its operation that we consider to be reportable conditions.

In addition, we considered the Library's internal control over Required Supplementary Stewardship Information by obtaining an understanding of the Library's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as required by OMB Bulletin No. 01-02, and not to provide assurance on these internal controls. Accordingly, we do not provide assurance on such controls.

As the Library is not subject to the requirements of the Government Performance and Results Act (GPRA), and the performance measures reported in the Management's Discussion and Analysis are not related to implementation of the GPRA, we did not obtain an understanding of the design of internal controls relating to the existence and completeness assertions of such measures.

REPORTABLE CONDITIONS

1. SECURITY PRACTICES OVER INFORMATION TECHNOLOGY SYSTEMS NEED TO BE IMPROVED

Our audit found that the Library's systems environment remained threatened by weaknesses in several information protection control structures. The controls in place were inadequate to fully protect information systems' resources from unauthorized access, unauthorized use, or damage. The Library had not implemented security policies and procedures to ensure that Library resources were restricted to authorized individuals and that critical data was protected. The presence of these weaknesses increases the risk that the Library's data and equipment are not properly safeguarded. The details of the matters are as follows:

- ***Entity-Wide Security Program is inadequate.*** The Library lacks a comprehensive security administrative structure to manage and protects its diverse and varied information technologies. The Library has only one security officer to manage and monitor all of its information technologies. The Library's current management procedures and organizational framework are deficient for identifying and assessing risks, deciding what policies and controls are needed, periodically evaluating the

effectiveness of these policies and controls, and acting to address any identified weaknesses. These are the fundamental activities that allow an organization to manage its information security risks cost effectively, rather than reacting to individual problems on an ad hoc basis, or after a violation has been detected or an audit finding has been reported.

- ***The Library's logical access controls do not sufficiently restrict access.*** Logical access controls were inadequate to ensure the safekeeping of sensitive utilities and data sets. A number of logical access controls settings were not in place. The Library lacks the administrative structure and management policies to manage access controls for applications and system software. There are no written standard access control policies. During our review of system programmers access privileges, we found one system programmer's ID is still active after leaving the Library's employment over a year ago. The ID has the highest of access privileges. The security package that protects the financial application is obsolete and is not supported by the vendor. The special privileges attributes in the security software are not implemented to enhance security. We also discovered that members of System Engineering Group (SEG) can bypass the security software and can access the sensitive information in the Federal Financial System (FFS) without an audit trail.
- ***Application security controls should be strengthened.*** Application controls do not include a program for the certification and accreditation of sensitive applications. Management control over computer security was impaired by the lack of a process for the technical evaluation of the security of sensitive applications. Not addressing these control weaknesses increases the risk of unauthorized access to certain sensitive applications and data without being detected.
- ***Application software, system software, and change controls were inadequate.*** The Library does not have controls in place for the management and maintenance of application and systems software. There were no written standards to control production programs as they progress through testing to final approval. The lack of controls may result in inefficient or inadequate testing or introducing production programs that do not meet management's criteria. The Library does not maintain adequate controls of the its test and production libraries. We found that the Financial Services Directorate submitted programs that updated the Federal Financial System (FFS) from a library other than the production library.

Recommendation:

We recommend the following:

- We recommend that the Library implement security policies and procedures to ensure that Library resources are restricted to authorized individuals and that critical data is protected. Also, we recommend that senior management make security of its information systems a higher priority and allocate adequate resources and personnel. We recommend that senior management establish a structure to implement the security program throughout the entity. The structure generally consists of a core of personnel who are designated as security managers. These personnel play a key role in developing, communicating, and monitoring compliance with security policies and reporting on these activities to senior management. The security management function also serves as a focal point for others who play a role in evaluating the appropriateness and effectiveness of computer-related controls on a day-to-day basis. These include program managers who rely on the entity's computer systems, system administrators, and system users.
- Develop administrative structures and management policies to manage access controls and develop a standard access control policies for main frame as well as client-server systems and applications. In addition, deactivate the access privilege of users ID's who have left the Library's employment;
- Develop and implement controls to ensure that the configuration of sensitive utilities and security software are set to minimize exposure to unauthorized access and unlogged activities. Perform risk assessments to determine the need for group access and compensating controls that minimize the risk exposure;
- Evaluate and review the implementation of security features available in the operating systems and applications to ensure that risks, security and compensating controls have been addressed and to upgrade the security package to protect the financial application;
- Establish a program for the certification and accreditation of major application systems and general support systems in accordance with the Federal Information Processing Standards Publication (FIPS PUB) 102 "Guideline for Computer Security Certification and Accreditation"; and
- Develop a written Systems Development Life Cycle methodology. Also, develop and implement controls for emergency system software changes and prohibit users from submitting test programs that update production data.

2. THE LIBRARY LACKS A BUSINESS CONTINUITY PLAN

The Library does not have a service continuity plan. The Library does not have critical policies and procedures usually found in government and private industry to protect information resources and minimize the risk of unplanned interruptions and to recover critical operations should interruptions occur. There is no management or administrative structure to implement or maintain service continuity of the Library operations. Also, the Library does not have standard written policies for performing backups of data files, computer programs, and critical documents and placing them in off-site storage.

The Library could lose the capability to process, retrieve, and protect information maintained electronically in the event of a disaster. Such an event would have a significant impact on its ability to accomplish its mission.

Recommendation:

We recommend that the Library:

- Develop management policies and administrative structure to implement or maintain services continuity of the Library operations, and develop standard backup written policies for performing backups of data files, computer programs, and critical documents and placing them in off-site storage,
- Assess the criticality and sensitivity of computerized operations and identify supporting resources,
- Train staff to respond to emergencies,
- Develop policies that prohibit eating and allowing liquids in data center, and
- Monitor hardware maintenance of environmental controls in the data center.

We also recommend that the Library immediately develop and test a disaster recovery plan for its data center and other information technology facilities.

Relevant comments from the Library's management responsible for addressing these internal control matters are provided as an attachment later in this section.

In addition to the reportable conditions described above, we noted certain matters involving internal control and its operations that we reported to the management of the Library in a separate letter dated March 2, 2001.

This report is intended solely for the information and use of the Library, the Library's Office of the Inspector General and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Calverton, Maryland
March 2, 2001



Independent Auditor's Report On Management's Assertion About The Effectiveness Of Internal Controls Over Safeguarding Collection Assets

To the Inspector General
The Library of Congress

We have examined management's assertion, which is presented in Section 4, that it cannot provide reasonable assurance that the Library of Congress' internal control structure over safeguarding of collection assets against unauthorized acquisition, use, or disposition was generally effective as of September 30, 2000.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and with *Government Auditing Standards*, issued by the Comptroller General of the United States, and accordingly included obtaining an understanding of the internal control structure over safeguarding of collection assets, testing and evaluating the design and operating effectiveness of the internal control structure, and such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion.

Because of inherent limitations in internal controls, unauthorized acquisitions, use, or disposition of collection assets may occur and not be detected. Also, projections of any evaluation of internal controls over safeguarding of assets to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In its assertion letter, the Library of Congress had defined the following control criteria for safeguarding collection assets against unauthorized acquisitions, use or disposition:

- **Bibliographic controls**, which include but are not limited to: cataloging, archival processing, and arrearage reduction;
- **Inventory controls**, which include but are not limited to: item-level holdings records and bar-coding for non-rare monographs accessioned October 1999 or later; the automated circulation control system as implemented in the Integrated Library System (LC ILS); manual and automated shelf list and serial records; finding aids and other detailed item and/or collections descriptions, and registry of items lent for exhibition.

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- **Preservation controls**, which include but are not limited to: use of surrogates (digital, microform, service copies of audiovisual materials); collections care programs; disaster preparedness; Top Treasures security; de-acidification; conservation of individual items; preservation treatment of processed items, preservation research and testing programs to define actions for de-acidification, storage, audio preservation;, studies of longevity of new digital media, etc.; and special Congressionally-mandated preservation programs such as the National Film Preservation Board and American Television and Radio Archive.
- **Physical security controls**, which include but are not limited to: perimeter security (e.g., theft detection devices); secured receiving and holding areas for materials not yet accessioned into the research collections, including the Copyright Office; secured in-process working and holding areas; storage areas closed to the public and all staff except those who require daily access in order to perform their jobs; reader registration; security in reading rooms (cameras, police and guard patrols, etc.); caging of high risk collections; and secured loan stations.

The Library asserted that specific controls over items in the collection assets depend upon the individual format, demand for and condition of use, and the value and risk assessment for that item. The *Integrated Control-Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, would classify the aforementioned Library criteria as “control activities.” The Integrated Framework also includes the following elements of internal control reporting:

- Risk assessment and collections security plan – The Library must assess the risk of unauthorized acquisition, use, or disposition of the collection;
- Control environment – The Library must influence the control consciousness of its personnel by instituting an environment that makes internal control a priority;
- Information and communication – The Library must determine what information is needed by management to prevent or timely detect control failures and make that information readily available to management at all times; and
- Monitoring – The Library must establish policies and procedures for monitoring compliance with internal controls by personnel assigned to those tasks.

Adapting these elements to the *Internal Control-Integrated Framework's* definition of internal controls over safeguarding of assets to fit the Library’s circumstances can be summarized as follows:

"Internal control over the safeguarding of collections against unauthorized acquisition, use, or disposition is a process, effected by the Library's management and other personnel, designed to provide reasonable assurance that the risk of unanticipated loss (theft, mutilation, destruction, or misplacement) of collection items of significant market value, cultural or historical importance, or significant information value is reduced to an acceptable level."

Applying this definition using the Library's control criteria, a weakness in safeguarding controls is significant enough that it should be included in the Library's assertion if it results in either:

- Significant risk of unanticipated loss (theft, mutilation, destruction, or misplacement) of collection items of significant market value, cultural or historical importance, or significant information value, or
- Significant risk that senior Library management does not have sufficient information about the extent to which the Library's objectives concerning the safeguarding of the collections are being achieved.

The Library has identified such weaknesses as material weaknesses based on guidance provided by the General Accounting Office.

Opinion on Management's Assertion

The Library aggressively addressed deficiencies in bibliographic, inventory, preservation, and security controls in the past fiscal year, however in its assertion, management identified material weaknesses summarized below which could adversely affect the Library's ability to meet its internal control objectives. As a result, the Library cannot provide reasonable assurance that the internal control structure over safeguarding the Heritage Assets against unauthorized acquisition, use, or disposition was completely effective as of September 30, 2000 for all of the Library's collections.

With the implementation of the LC ILS and the application of bar codes to all newly accessioned non-rare monographs beginning October 1999, the Library has taken a step towards partitioning its assertion. The Library cannot assert without qualification that the controls in place are adequate and appropriate to mitigate the risks for all the special collections, but the Library does assert that newly-acquired non-rare monographs (a major portion of the general collections of the Library) are under bibliographic, inventory (when it is circulated outside the Library), preservation and physical security controls.

In its assertion, management describes significant weaknesses in preservation controls, inventory controls, bibliographic controls, and physical security controls over collection assets as of September 30, 2000. Our recommendations for certain of these and other significant weaknesses identified by us during our examination are outlined in the following section, *Internal Control Weaknesses in Safeguarding of Collection Assets and Recommendations for Improvement*. Our current year recommendations and assessment of the Library's initiative are intended to build on the findings and recommendations made in prior years.

In our opinion, management's assertion that, as a result of the material weaknesses in controls described in its report, it cannot provide reasonable assurance that the internal control structure over safeguarding collection assets against unauthorized acquisition, use, or disposition, was generally effective as of September 30, 2000, is fairly stated based upon the criteria described above. In addition, management's assertion that, newly-acquired non-rare monographs (a major portion of the general collections of the Library) are under generally effective bibliographic, inventory (when it is circulated outside the Library), preservation and physical security controls as of September 30, 2000, is fairly stated based upon the criteria described above.

This report is intended solely for the information and use of the Library, the Library's Office of the Inspector General and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Calverton, Maryland
March 2, 2001

INTERNAL CONTROL WEAKNESSES IN SAFEGUARDING OF COLLECTION ASSETS AND RECOMMENDATIONS FOR IMPROVEMENT

1. A WEAK CONTROL ENVIRONMENT AND INCOMPLETE CONTROL ACTIVITIES EXISTED FOR THE SAFEGUARDING OF THE COLLECTION ASSETS

The Library of Congress, as the nation's library of last resort, has a special obligation to acquire comprehensively the creative and intellectual legacy of this nation; to secure and preserve those items for present and future generations; and to make these items as available as possible and prudent to its constituents, primarily the Congress, other branches of government, and the research community. Achieving and maintaining the proper balance among preservation, security, and access is a dynamic and challenging process, faced by all libraries and archives. The Library is custodian of nearly 121 million items, in over 450 languages and in many formats, including but not limited to: manuscripts, maps and globes, motion pictures, rare books, and digital files.

In its assertion, management describes a number of significant weaknesses in bibliographic controls, inventory controls, preservation controls, and physical security controls over collections as of September 30, 2000. Management also describes initiatives the Library has undertaken since September 30, 1997 to remedy some of these weaknesses.

Bibliographical controls: During fiscal year 2000, newly acquired items were accessioned and cataloged using the LC ILS. The Library continued to reduce the arrearage count: at September 30, 2000 19.2 million items were in arrearage, reduced from the 1989 benchmark number of 39.7 million items.

Inventory controls: Contracts were let and work begun on the conversion of the 12 million card shelflist of printed books and the conversion of the serials check-in file and holdings files. The conversion of both of these enormous files is a requisite step before a physical inventory can be commenced.

Preservation controls: The Library had inadequate temperature and humidity control in some collections storage areas; inadequate for appropriate storage of collections materials; insufficient space for reformatting the acetate negative collection; and insufficient funds for reformatting.

Physical security controls: In fiscal year 2000, the Library integrated its preservation, bibliographic, and inventory controls within the security planning framework developed for the 1997 security plan. An additional life-cycle element was added to the security plan to govern collections items on exhibit. The Library continued implementation of actions outlined in the 1997 security plan including, opening a larger reader registration facility in the James Madison Building; contracting for additional security monitors in reading rooms, and tagging and marking library materials in the retrospective collections.

Recommendations:

We recommend the Library continue to take action on improving the control environment and implementing control activities, based on the 1997 security plan. We recommend the Library to continue to revise the 1997 security plan as conditions change and improvements are identified. We support the Library's request for an inventory of the general collections, a project that would take several years. That project, the process of comparing the book stock on the shelves to inventory records that are currently being converted to digital format, would establish a benchmark from which future security assessments could be measured.

2. THE LIBRARY COLLECTION SECURITY PLAN HAS NOT BEEN FULLY IMPLEMENTED

The Library's Security plan was not fully implemented. Although the Library continued to implement actions outlined in the 1997 security plan, the Library has not established control activities to mitigate identified risks to the collection and has not completed establishment of the policies and procedures necessary to implement the necessary controls. The Library has not yet implemented a system for providing the required management information needed for management to carry out its responsibilities, nor has it established the methods by which management will monitor the effectiveness of the established control procedures.

Measurements of the effectiveness of the Library's physical security controls hinge on the development of credible baselines. Conducting regular inventories and/or statistically valid random sampling efforts can create baselines capable of establishing trends in theft and mutilation.

The Library has taken a number of initiatives in fiscal years 1999 and 2000 to address prior findings related to collections security.

Recommendations:

We recommend that the Library take action to fully develop and implement its security plan. The Library's security plan focuses on physical security and procedural standards and requirements for protecting the collections. We recommend that the Library take the necessary actions to fully develop and implement the programs that are essential to the full implementation of the security plan.

We also recommend that the Library continue conducting regular inventories and/or statistically valid random sampling projects in select divisions. These measuring projects will create valid baselines, which over time will yield trends in theft and mutilation enabling Library's management to evaluate the effectiveness of its Security Plan and controls in place protecting the collections.

3. THE LIBRARY LACKED EFFECTIVE MANAGEMENT INFORMATION FOR MONITORING OF THE COLLECTIONS ASSETS' INTERNAL CONTROLS

Collection security objectives were incorporated in annual performance plans of custodial chiefs in fiscal year 1999. Meaningful and regular management information about whether security goals are being established and met is essential to a strong control environment. The performance plans of security officials and custodial division chiefs, as well as those in other service units who are responsible for collections security, should include measurable objectives for assuring all collections controls are implemented and functioning. Now that the risk assessments are performed, it is known what tasks personnel should perform. Action plans were prepared, by the management in each division, in response to the Risk Assessments.

Recommendations:

We recommend monitoring the integration of the performance plan process with the Library's collection risk assessments. The major controls over safeguarding of collection assets have been identified from the risk assessments. Each division has developed measurable tasks that personnel should be performing to assure that those controls are functioning. Division management should be held accountable for monitoring personnel assigned to these tasks. Reporting these results should be fully integrated into the Library's annual performance plans in order that management receives the information needed to assess the effectiveness of the internal controls over the collection assets.